Addis Ababa Science and Technology University

College of Natural and Social Sciences

Challenges and Prospects of Garment Exporting Industries In Oromiya Region

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ABSTRACT

This study seeks to investigate and analyze Problems and prospects of garment exporting industries in Ethiopia particularly the case of Oromiya Region. For the sake of achieving the objectives of this study, questionnaires were analyzed using statistical analysis such as descriptive and Factor analyses. The information obtained through self-administered questionnaire from a sample of 4 Garment exporting factories were used. The respondent operators were selected using Purposive sampling techniques *and 52 respondents were administered a questionnaire consisting of 24 questions addressing problems and 7 questions addressing prospects. Exploratory factor analysis was used to analyze data and eight latent factors identifies. The empirical study extracted major Problems which seem to affect export performance of garment industries which include: Technology problem, Industry and Institution Relations, Raw material Problems, Managerial capabilities, Infrastructure, Labor problems, financial problems and Marketing problems. Based on findings, the government should have strong coordination between institution and associations to transfer knowledge in the area.*

Key words; Garments, Exports, Industry

Table of Contents

Title **Page**

List of Tables

Title **Page**

List of figure

Title **Page**

List of Acronyms and Abbreviating

ACP	African, Caribbean and Pacific Group
AGOA	Africa Growth and Opportunity Act
CAD	Computer- Aided- Design
CBTPA	Basin Trade Partnership Act
CIT	Corporate income tax exemption
COMESA	Common Market for Eastern and Southern Africa
EBA	Everything but Arms
EIA	Ethiopian Investment Agency
ETGAMA	Ethiopian Textile and Apparel Manufacturers' Association
ETIDI	Ethiopian Textile Industry Development Institute
FTA	Free Trade Agreements
GSP	Generalized system of preferences
ICC	International Chamber of Commerce
IMIS	Integrated Management Information Systems
IO	Industrial organization
LDCs	Least developed countries
MIGA	Multilateral Investment Guarantee Agency
MOA	Ministry of Agriculture
NBE	National Bank Ethiopia
OECD	Organization for Economic Co- Operation and Development or,
PSISEP	Pre-shipment Inspection Scheme Establishment Proclamation
RBV	Resource-based view
SMEs	Small and medium enterprises
SSA	Sub-Saharan African
SPSS	Statistical Package for Social Science
FDI	Foreign Direct Investment

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CHAPTER 1

1. INTRODUCTION

The textile Industry is one of the earlier large-scale economic activities that led the industrialization process centuries ago. Similarly, certain segments of the industry continue to play a key role in the initial industrialization process of most countries. This role has resulted because; 1) the industry serves a basic need of nearly all humans and usually fulfils some or all of the domestic demand, and 2) different aspects of the industry's production activities have been adaptable to a wide range of available resources. For example, when capital and technology are available, more technologically advanced textile production occurs. On the other hand, when a country has neither of these, certain segments of production (small scale textile production or apparel assembly) often thrive because of other abundant resources such as labor (Dickerson, 1999 p.28).

In Ethiopia, the production of garment becomes one of the main manufacturing activities. The potential for growth and expansion of the garment sub sector are also enormous. Currently, the capacity of cotton production is in excess of spinning. This excess production capacity with the availability of cheap labor in the country can enable the textile and garment sector to play key role in terms of export diversification, employment generation, attracting Foreign Direct Investment and growth of manufacturing sector (UNIDO, 2002 P.59).

Since the current estimated population of a country is about 100 million, it creates demand for garment products in the local market as well as sources of cheap labour force in the production process of garment industry and these can be also great sources of potential for growth and expansion of the garment sector.

In addition to the local demand, the preferential market access of export market commitments made by bilateral and multilateral trading partners, the recent Everything but Arms (EBA), Africa Growth and Opportunity Act (AGOA), the Canadian and Japanese schemes are important initiatives worth highlighting as potential incentives for the garment sub sector. Hence we infer from the above descriptions, Ethiopia has favorable comparative advantage to attract local and foreign investment for two reasons, the global shift in garment industry and the country comparative advantage over its competitors.

Ethiopian garment industries have two main sources of inputs: locally produced and imported ones. The sources of local inputs are the products of the country's textile and fiber industries which include cotton fabrics, nylon fabrics, acrylic yarn, cotton yarn, woolen and waste cotton blankets, and sewing threads. The main inputs that are imported consist of threads, buttons, zippers, labels, polyester, petrochemical fabrics, nylon, wool etc. With the exception of some types of buttons most are not locally supplied (UNIDO, 2002 P.59, EAPA, 2002, P. 77).

The level of technology in the garment sector can be viewed in to two: the newly established firms relatively bring technologies which are currently in use in countries which are prominent in garment production such as East Asian and South African Countries (Survey result). However, the industries, which were established in the Imperial and Dergue Era, have experienced huge problems in terms of their production technology, which is outdated and exposed to frequent breakage.

1.1. Background of the Study

Garment industries have been contributing to the provision of basic and economic needs of the society. While the promoters of the industry drive economic wealth, the society is benefiting from the industry in the short run by obtaining its basic needs of clothing, employment especially women and foreign currency receipt and in the long run provides countries the opportunity to sustained economic development. Several studies have analyzed the importance of the textiles and clothing industry in terms of macroeconomic indicators such as exports, investment and employment (Rahman et al., 2008; Kowalski and Molnar, 2009; and Beresford, 2009).

The development of garment industry has long history in Ethiopia. Moreover, Ethiopia has fine development opportunity and huge potential in domestic as well as international prospects in regards to garment sector. These can be seen from the fact that availability of global opportunities like market entry access such as (AGOA, COMESA and similar bilateral trade agreements) which brings about the government to considers garment sector as a priority sector by providing direct support. Regardless of these facts, the industry could not achieve the optimum level of development and performance to the country in general and to the promoters in particular. Various factors were playing against the proper development and performance in the industry.

According to Tamiru (2002), the major impeding factors for the underdevelopment and performance of the garment and textile industry in general are mainly: mismanagement, financial constraints, illegal trade (contraband) and scarcities of spare parts. In addition, Nigist (2002) stressed that the problems hindering the proper development of the textile and garment industries attribute to shortage of raw materials, problem of land, obsolescence of machineries, lack of loan, market problem and the flourishing import of Chinese cheap products.

Promoters of garment industries are complaining of diverse issues revolving around their operation. For instance, one promoter said "Producing textile and garment products with a high cost of inputs and weak infrastructure is a challenge for my company" (YosephMekonnen, 2013). Others are still explaining different set of complex problems that have been restraining their movement in light of the current dynamics of the garment industries. Developing countries are where the most industrial inputs are abundantly found.

In general terms, labor as one of the major input mix should have a profound effect in the production process of the industries in this part of the world. Moreover, cotton can be mentioned as a raw material for these factories which is also a direct output of the agricultural sector, and can significantly contribute to the minimization of the cost of production. However, as it has been practically observed, the promoters of the garment industry were not aligned with their competitive advantage of cheap labor and availability of raw materials namely cotton. Also other researches done indicate that direct costs (labor and material cost) are not the only costs indicator to garment suppliers. The following factors should also be comprehensively considered suppliers' capability (Eusebio, Andreu, &Belbeze, 2007), productivity (Gibbon & Thomsen, 2005), innovation ability (Gibbon & Thomsen, 2005; Jin, 2004; Kang & Jin, 2007), product's quality (Handfield, 1994) and relationship between suppliers and buyers (Kang & Jin, 2007).

1.2. Statement of the Problem

Ethiopia can be placed in a comparative advantageous position in textile and apparel production. This is because of different reasons. First, Ethiopia has suitable agro-climatic conditions for the production of cotton, which serves as the main raw material of the sector. Second, there is abundance and relatively lower cost of labour power. Third, the global textile

and apparel production and consumption has shifted to LDCs. Fourth, the availability of the international good will to avail market privilege through Free Trade Agreements (FTA), mainly African Growth Opportunity Act (AGOA) to US market and Everything but Arms (EBA) initiative to EU market and Common Market for Eastern and Southern Africa (COMESA) to regional market. Thus it is necessary to be quite sanguine about the role of textile and apparel industry as a catalyst for Ethiopian industrialization and as a major source of foreign currency if it gets unadulterated government policy backup, pragmatic support and incentive.

Compared with other developing countries, Ethiopia's industrial basis and infrastructure are relatively underdeveloped, despite the fact that tremendous efforts have been made on the infrastructure construction. Particularly, its power supply, telecom and transportation infrastructure are far from being able to satisfy the demand of the development of manufacturing industry. In today's network era, it is very difficult to participate in the international market without advanced net work system. Currently net works in Ethiopia are hampered with low speeds and high costs.

Garment factories in Ethiopia are seriously short of technicians, managers and marketing personnel. There's scarcely any designer, pattern maker and marketing professionals who has received real high education. It is very hard for Ethiopia's garment sub-sector to participate into international competitions without a team of qualified professional managers.

Garment factories in Ethiopia depend heavily on import for most of their fabrics (70% of fabrics for knitted garment depend on import), which mainly come from China. Korea, India and Taiwan. Currently, there is no accessory and spare parts manufacturing system for the garment Sub-sector. Accessories needed in garment manufacturing such as buttons, zippers, lacework and liner cloth have to be imported. Custom clearance delay is a prominent problem in Ethiopia. Custom clearance is extremely slow. In addition, custom evaluation is very random. Sometimes even if the exporting custom has already confirmed the invoice value, the Ethiopian custom officials would reevaluate the imported cargo using their own methods at will which may add additional trade cost indirectly.

However, garment factories established after 2005 are well equipped with modern machines,they are not used to their full production capacity because of poor productivity. The

average output for a worker in an Ethiopian garment factory is 5 standard shirts per man/shift versus 20 to 25 in an average scale international garment factory. Ethiopian productivity is very low, only about 1/4 to 1/3 of the normal level. The major reasons for this include: Serious ageing of the employees, inadequate operational skills of the workers and Absence of efficient management system.

Hence, the researcher is motivated to investigate the challenges and prospects mentioned above and and suggest the corrective measures for the development of Garment sub sector which contribute great to country's economy by creating employment and Foreign currency Earning and selected Oromiya region because more than 80% of garment manufacturing industries are geographically located in Oromiya region

1.3 Research Questions

- What are the Challenges facing garment exporting Industries in Oromiya Region?
- What are the Prospects available to develop garment exporting industry in Oromiya Region?
- What are the groups under which Challenges faced by garment exporting industry in Oromiya region can be categorized?

1.4. Research Objectives

1.4.1. General objectives

- General Objective of the study is to investigate and analyze the challenges and prospects of garment exporting industry in Oromiya region of Ethiopia.

1.4.2 Specific Objectives

1. To identify the various Challenges facing garment exporting Industry in Oromiya Region
2. To investigate prospects for the future development of garment exporting Industry in Oromia Region
3. To group Challenges facing garment exporting industries in Oromiya region

1.5 Significance of the Study

The study is believed to provide an insight to the areas of intervention required to curb the current root problems that have been hindering the flourishing garment industries in Ethiopia. It also serves as a reference in the areas of knowledge required to plan current sustainable garment industry development. The recommendation to be drawn from this study will be a vital input for policy makers, promoters and any other stakeholders concerned. It also serves as a springboard for taking further investigation by other researchers. Garment and textile manufacturing have been the starting points for export-led industrialization of many countries (McCormick, in IDS,2001 p.10).

In Ethiopia, the textile and garment industries remain key vehicles for economic growth since they have a potential to provide employment and can contribute to gross domestic product as well as the poverty reduction scheme of the country (EEPA, 2002, IDSE, 2003).

1.6 Scope of the Study

The study tries to investigate major problems that hinder export performance of garment industries engaged in export activity operating in Oromiya Region. This study is limited in scope in that description of facts on garments industries that are currently operational but do not export or inactive is beyond the scope of this study. The study is further limited in addressing companies operating beyond the Region of Oromiya. Time and resource is a limiting factor not to include the above accounts in my study.

1.7 Limitation

The main problems that faced the researcher while carrying out the research process were the difficulty in getting questionnaire filled and interviewing of top level managers who know more and detail about the company, because of their time constraint, which took me to go back to the factories several time patiently to get reliable data from the right person. For example, most factories officials do not have enough knowledge to give the required information, as well as there is no organized data due to the short history of the garment and textile industry as the country. And also time and resources are main constraints while undertaking the study.

1.8 Organization of the Study

The thesis is organized in five Chapters: Chapter one deals with introduction of the study, Back ground of the study, a statement of the problem, objective of the study, significance of the study, scope and limitation of the study and definition of key terms. Chapter two present the review of related literature. The third chapter presents the research design and methodology, process of data collection and the instruments used for data collection. Chapter four deals with the presentation, analysis of the collected data and interpretation of the findings of the study and summary of the findings. Chapter five presents, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2. Introduction

The literature that was covered for this study included both theoretical and empirical literature. To explore this, the researcher used books, journals, online, materials, reports and other relevant documents (published and unpublished). On the theoretical literature, the researcher explore literatures that are related with problems and prospects of garment Industries from different perspective and empirical studs were taken from experience that have carried out nationally and in other countries.

2.1 Meaning of Export

The term "export" is derived from the conceptual meaning as to ship the goods and services out of the port of a country. The seller of such goods and services is referred to as an "exporter" who is based in the country of export whereas the overseas based buyer is referred to as an "importer". In international trade, "export" refers to selling goods and services produced in home country to other markets (http://en.wikipedia.org/wiki/Export).

2.2 Advantages of Exporting

Any company, before committing its resources to venture in the export business, must carefully assess the advantages and disadvantages of exporting into a new market. While some companies enter the export business unintentionally after receiving order to purchase from foreign buyer that found their product; others make a deliberate move and conduct thorough research before entering new market. Whether it is unintentional or deliberate move companies need to evaluate and carefully assess the advantages and challenges of exporting before committing resources

(http://www.globalexpertbase.com/wp-584-238.html).

Firms involved in export business could get different advantages some of which are increased sales and profits, gain global market shares, diversification, lower per unit costs, enhance domestic competitiveness, compensate for seasonal Demands, create potential for company

expansion, sell excess production capacity, gain new knowledge and experience and expand life cycle of product (http://www.globalexpertbase.com/wp- 584-238.html).

2.3 Disadvantages of Exporting

While the advantages of exporting by far outweigh the disadvantages, small and medium size enterprises especially face some challenges when venturing in the international marketplace. For small firms, selling goods and services to foreign markets seems to be more difficult than serving the domestic market. The lack of knowledge for trade regulations, cultural differences, different languages and foreign-exchange situations as well as the shortage of resources and staff are some of the problems. The main disadvantages/challenges according to; http://www.globalexpertbase.com/wp-584-238.html sourced on May 2010 include:

Extra Costs: Because it takes more time to develop extra markets and the pay back periods are longer.

Product Modification: When exporting, companies may need to modify their products to meet foreign country safety and security codes, and other import restrictions.

Financial Risk: Collections of payments using the methods that are available (open account, prepayment, consignment, documentary collection and letter of credit) are not only more time-consuming than for domestic sales, but also more complicated.

Export Licenses and Documentation: In many instances the documentation required to export is more involved than for domestic sales.

Market Information: Finding information on foreign markets is unquestionably more difficult and time-consuming than finding information and analyzing domestic markets. Entering an export business requires careful planning, some capital, market know-how, access to quality product, competitive pricing strategy, management commitment and realizing the challenges and opportunities without which is almost impossible to succeed in the export business (http://www.globalexpertbase.com/wp-584-238.html).

2.4 Ways of Exporting

The way a company chooses to export its products can have a significant effect on its export plan and specific marketing strategies. The basic distinction among approaches to exporting

relates to the company's level of involvement in the export process. The company can decide to export directly or indirectly to a foreign country. Direct selling involves sales representatives, distributors, or retailers who are located outside the exporter's home country. This approach is the most ambitious and difficult, since the exporter personally handles every aspect of the exporting process from market research and planning to foreign distribution and collections. Consequently, a significant commitment of management time and attention is required to achieve good results. (http://en.wikipedia.org/wiki/Export).

2.5 Challenges of the Development of the Garment Sub- Sector

2.5.1 Challenges of Import Restrictions

Although there's no restriction on the quantity of import, nor does import license pose as a real trade barrier, it doesn't mean that the country does not have any import restrictions. Custom clearance delay is a prominent problem in Ethiopia. Custom clearance is extremely slow. In addition, custom evaluation is very random. Sometimes even if the exporting custom has already confirmed the invoice value, the Ethiopian custom officials would reevaluate the imported cargo using their own methods at will. In addition the Ethiopian Government requests that all import be carried out through officially registered importers or agents; who must be Ethiopian citizen. Import delay also shows in the Pre-shipment Inspection Scheme Establishment Proclamation (PSISEP). To ensure the imported cargo matches the foreign exchange paid, to facilitate the passing of the PSISEP, to create a highly efficient and healthy trade environment and to prevent the state revenue from being stolen by under proclaimed invoice values, the PSISEP requests that all imports valued at or above US$ 2,000 (FOB) be inspected prior to shipment. These procedures add additional trade cost indirectly.

2.5.2 Challenges of High Surcharge

Custom brokers, shipping companies, insurance companies and other channels are still at a monopolized stage. The lack of competition has resulted in high service prices and increased trade costs.

2.5.3 Challenges of Insufficient Quality of Human Resources

Although Ethiopia's labor force possessed absolute advantage in terms of numbers, it does not mean that there's sufficient amount of qualified labor resource. Today most of the Ethiopians

still have only very low educational level. Since 2000, the country has trained some people through vocational education. However, as number is very limited and, on the other hand, these students graduating from the vocational school usually do not have on job experience, there would still be a serious shortage of skilled technical manpower.

2.5.4 Challenges of Shortage of Technicians, Managers and Marketing Personnel

Garment factories in Ethiopia are seriously short of technicians, managers and marketing personnel. There's scarcely any designer, pattern maker and marketing professionals who has received real high education. Even though Bahir Dar University Textile institute has already set up the garment subject and received its first batch of students in 2002, it takes 4 years for these students to graduate. On the other hand, it is by far insufficient with only one educational institution that too with the shortage of qualified teachers and practical experience will greatly impair the actual effect of the education.

2.5.5 Challenges of Absence of Professional Managers

To expand export, the garment sub-sector has to face intensified competition from all over the world, it is therefore essential to build up production capacities and modern marketing and management strategies have to be adopted. It is very hard for Ethiopia's garment sub-sector to participate into international competitions without a team of qualified professional managers.

These professional managers generally have the following features: prominent work ethic and professional maturity, professional advantage capable of integrating their education, training and professional experience into their work. Without professional managers there could be no real development of corporate governance.

2.5.6 Challenges of Shortage of Fabric and Accessory Manufacturing Capacity

2.5.6.1 Challenges of Fabrics

Most of the textile factories in Ethiopia are cotton textile factories, capable of producing limited categories including low to medium yarn count pure cotton gray fabrics for khaki, twills, bed sheet fabric, canvases, dyed poplin and printed sateen. These factories are incapable of supplying fabrics for the export of the garment sub-sector. What's more as today's Ethiopian tend tochoose the more convenient and easier-to-wear synthetic fabrics, there's little choice for the domestically made fabrics even in the domestic market.

Garment factories in Ethiopia depend heavily on import for most of their fabrics (70% of fabrics for knitted garment depend on import), which mainly come from China. Korea, India and Taiwan.

2.5.6.2 Challenges of Accessories

Currently, there is no accessory and spare parts manufacturing system for the garment Sub-sector Accessories needed in garment manufacturing such as buttons, zippers, lacework and liner cloth have to be imported.

2.5.7 Challenges of Packing Material

There is also a serious shortage of packing material supply capacity in Ethiopia. Many packing materials have to be imported. In addition there are only few modern packing methods and packing equipments in the country. For example, some companies do not have their own packing shops or packing platforms. Packing materials such as corrugated boxes are of poor quality and inadequate for the long distance shipment.

2.5.8 Challenges of Poor Infrastructure

Compared with other developing countries, Ethiopia's industrial basis and infrastructure are relatively underdeveloped, despite the fact that tremendous efforts have been made on the infrastructure construction. Particularly, its power supply, telecom and transportation infrastructure are far from being able to satisfy the demand of the development of manufacturing industry.

Ethiopia is a landlocked country. Currently, according to agreements with neighboring countries, it has accesses to 9 seaports. The nearest and most frequently used is the port of Djibouti, which is 847 km from Addis Ababa by road. Apart from this, the port of Sudan is also a frequently used, which is 1881km from Addis Ababa by road. With respect to its transportation, only air transportation is relatively developed in Ethiopia. There is only one railway in the country leading to the port of Djibouti which has been in operation for over a century. The transportation of containers mainly, depends on the road between Addis Ababa and Djibouti. There are only 3.924 km tar road in the country. By the year 2001/02, road intensity is 29km/1000sq km in the country, while the average figure is 50km/l,000sq km in

Asia. Currently, about 70% of the areas across the country do not have modem transportation means.

Ethiopia is one of the countries with low rates of telecommunication facilities. In today's network era, it is very difficult to participate in the international market without advanced net work system. Currently net works in Ethiopia are hampered with low speeds and high costs.

2.5.9 Challenges of Absence of Marketing Networks

There is no distributor in Ethiopia specifically engaged in the wholesale and retail of domestically made garments, as most of the factories only make work clothes and uniforms on customer orders. However, some of the factories have their own agents. Others directly market their products to the retailers.

Most of the export channels for garments made in Ethiopia were established long time back or brought in by foreign investors. Local enterprises rarely explore any new export channel. Although Ethiopia does host some commodity fairs or participate in some international ones, yet companies complain that it is very difficult to secure stable supply channels with US businessmen. Most of them would just look around in exhibitions and rarely make any deal.

Many of the garment enterprises in Ethiopia are of small scale, incapable of taking direct part in international trade. There's no professional trade company with a preliminary scale of handling garment export business. At the same time, garment manufacturers in Ethiopia generally lack the awareness of international market information as well as professionals capable of international trade.

2.5.10 Challenges of Aging Equipment

Today, while advanced garment processing equipment such as automatic cutting machines, computer controlled Lockstitch sewing machines, virtual garment graphic system and stereo iron-ordering machines are widely used in overseas garment factories. Many garment factories are still using medium speed Lockstitch sewing machines and over-lock sewing machines introduced from Korea, Japan, Italy and other countries in the 1970's. However, garment factories established after 2005 are well equipped with modern machines, but they are not used to their full production capacity. A lot of garment factories have additional idled

equipment outside their production lines, further lowering the overall equipment utilization ratio of garment factories in Ethiopia.

2.5.11 Challenges with Productivity

The average output for a worker in an Ethiopian garment factory is 5 standard shirts per man/shift versus 20 to 25 in an average scale international garment factory. Ethiopian productivity is very low, only about 1/4 to 1/3 of the normal level. The major reasons for this include (Chavan, 2010)

• Serious ageing of the employees

• Inadequate operational skills of the workers

• Absence of efficient management system.

2.5.12 Serious impact of imported and smuggled garments

Imported clothes have basically dominated Ethiopia's domestic garment market. According to Ethiopian custom office statistics, the gross garment import value was 278 million Birr in the year 2001/02, most of these imports were low-end products made of synthetic fabrics. However, the actual figure of Ethiopia's garment import is far larger than that provided by the customstatistics. Large number of smuggled or second hand garments can be seen everywhere in the market.

2.5.13 Lack of Inter-Industry Institution Cooperation

Ethiopia's garment sub-sector is still far from a complete industrial system. Companies exist only as individual entities. There's no integrated industrial administration institution to coordinate the overall development of the industry, nor inter-industry auxiliary institution to support such development.

According to the quality standard authority, currently there's no quality standard or export quality standard for Ethiopia's garment manufacturing. There's no specific quality management institution responsible for controlling the industry-wide product quality.

2.5.14 Market Economy Concept

Ethiopia began to enter free market economy concept from the year 1992-93. However, the establishment of market economy order is a gradual process. Under the free market economy

structure, the Government needs to transfer its role, trying to get its hands out of frequent executive interference. On the other hand, companies need to be fully aware of their status as market players. They should accept and participate in competitions, with the company'sprofits as their primary operational objective.

2.5.15 Challenges with Geographical Disadvantages

Ethiopia is a land locked country without its own seaport. This directly restricts the development of its export and trade. Currently, its imports and exports are mainly carried out through the seaport in the neighboring Djibouti. High port taxes and complicated Custom procedures have increased the cost of trade. According to the Addis Ababa based shipping company, the custom application fee for a 20 feet container is as high as 3250 Birr while only about 200 Birr equivalent in China.

Ethiopia's garment sub-sector is mainly located in Addis Ababa, 800 km from the nearest seaport. As most of the fabrics for garment processing depend on import, the transportation fees in the import and export process directly increases the production Cost. What's more, the en route time also increases the cost indirectly. For production time sensitive industries such as the garment processing industry, this impact is especially significant. According to Ethiopian companies, it takes 165 days for a garment export contract order to be delivered. In India and China, it takes only 60 days to accomplish the same procedure. Therefore, geographical factors do have direct Impact on the garment factories for their ability to accept orders.

2.6 Prospects for the Development of Garment Sub-Sector

2.6.1 Reasons for investing in Ethiopia

2.6.1.1 Stable Economic Environment

• Ethiopia has been able to achieve macro-economic stability

• Stable annual economic growth in double digits since 2003

• Stable exchange rate

• Government commitment to private sector

• Safe and secure working and living environments, identified by the U.N. and the International Chamber of Commerce (ICC) as key assets for investors in Ethiopia

• Absence of corruption - Ethiopia is described by the U.N. and ICC as exceptional in its almost complete absence of routine corruption.

2.6.1.2 Liberalized Economy

• All major economic sectors are liberalized for investment and marketing.

• Remittance out of Ethiopia from invested capital (dividends and interest) is permitted

• Remittance also permitted for principal and interest payment on external loans, payments associated with technology transfer, proceeds from sales or liquidation of an enterprise, salaries and other payments

• 100% foreign ownership of investment is permitted. $100,000 minimum initial investment required from foreign investors to start a business has been reduced to $60,000. Whereas if the foreign investor is in a joint venture with a domestic partner this figure reduces to $25,000 (in cash or in kind) for foreign investors working in partnership with a domestic investor in the areas of engineering, accountancy, architecture, auditing services or business/management consultancy.

2.6.1.3 Security of Investment

• Government guarantees (Investment Code 1991) a constitutional protection from expropriation.

• Ethiopia is a signatory to the main international investment related institutions, for example, it is a Member of the Multilateral Investment Guarantee Agency (MIGA)

• Ethiopia is also a signatory of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

• Professional one-stop-shop for foreign investment through the Ethiopian Investment Agency (EIA)

2.6.1.4 Significant Tax Incentives

• Customs Import Duty - 100% exemption on all import of investment capital goods (plant machinery, construction materials, etc.) including spare parts plus exemption for import of raw materials needed for the production of export goods.

• Export Customs Duty - Products and services developed in Ethiopia are exempt from export tax.

2.6.1.5 Conducive Tax Environment

Corporate income tax (tax on profit) is 30%

• Excise tax is levied (minimum 10%) on selected local or imported products

• Turnover tax at 2% for priority sectors such as tractors, combine harvesting, grain mill etc. and 10% on other sectors.

• Customs duty on non-exempted imports ranges from 0 to 35%

• Income tax ranges from10 to 35%

• Withholding tax is payable on imports at 3% of cost, insurance and freight

• 15% VAT is payable on businesses with a turnover above $54,000

• Dividend tax (on income derived from dividends from a share company or withdrawals of profits from a private limited company) at 10%.

• Royalty tax (on income derived from technology and intellectual property rights) at 5%.

• Capital gains tax - share of companies 30%; business, factory or office buildings 15%; residences 0%

• Rental income tax (on annual rental income) between 0 and 35% depending on level of rental income

• Stamp duty - Leasing 0.5% of value; registering title to property 2% of value.

• Tax treaties to avoid double tax payment are signed with several countries, along with bilateral treaties for the protection and promotion of investments

2.6.1.6 Excellent Market Potentials

• Strong internal market with second largest population in Sub-Saharan Africa at 79 million.

• Located at the crossroads between Africa, Middle East and Asia, within easy reach of the major ports.

• Membership of the Common Market for Eastern and Southern Africa (COMESA) embracing 23 countries with a population more than 300 million. Ethiopia enjoys the benefits of preferential tariff rates on exports to these countries.

• Ethiopia is an ACP member (African, Caribbean and Pacific Group) and accession to the WTO is under negotiation.

• Duty and quota free access into the U.S. (AGOA) and EU (EBA) markets. Export products from Ethiopia to the EU market are entitled to duty reductions or exemptions and are free from all quota restrictions.

• Under the terms of the Lome Convention. The trade preference accorded Ethiopia includes duty free entry of all industrial manufactured products. Under the generalized system of preferences

(GSP), a wide range of Ethiopia's manufactured products are entitled to preferential duty treatment in the United States, Canada, Japan and most EU countries.

• The large and fast growing domestic market offers good prospects for investment in and the development of consumer goods industries such as food, beverages, tobacco, plastic products, soap and detergents, drugs and pharmaceuticals, paper and paper products and electrical and electronic products.

2.6.1.7 Strong Natural Resource Base

• Good rainfall, rich soils, and favorable temperature ranges. Climate is identified by the U N as “exceptional” offering “an excellent environment for various agricultural activities.”

• Unexploited mineral deposits, specifically gold, tantalum, platinum, nickel, potash and soda ash.

• Urban and rural land available on a leasehold basis. Lease rights over land can be transferred, mortgaged or sub-leased together with on-build facilities. Leaseholders have the

right to use urban land for up to 60 years in Addis Ababa and up to 80 years in other smaller towns, with leasehold renewal permitted (generally the range in the country is between 50-99 years depending on purpose and location).

2.6.1.8 Trainable Labor Force

• Ethiopia presently turns out more than 10,000 university graduates per year, including business management, economics, accounting, law and engineering graduates.

• There are 151 technical and vocational education and training schools.

• Private universities and colleges flourishing in Addis and regionalcities.

• Expatriate employees permitted in senior positions, with prior consent from the Ethiopian Investment Commission (where employer is sole or major owner or shareholder of enterprise).

• Good standards of spoken and written English

2.6.1.9 Tax Incentives

Customs duty payment exemption on capital goods and materials or spare parts whose value is not greater than 15% of the imported capital goods "total value". For the apparel industry this means all fabric/ garment trimmings can be imported under condition as well that goods are destined for exports and will not be sold- nor distributed in local market

Custom duty exemption on imported equipment

Corporate income tax exemption (CIT) for 1-9 years. Number of years of exemption differs according to location and product export ratio (over 60% minimum – 80%)

Income tax exemption from 2- till maximum 7 years for manufacturing investments- the rule here is "the closer to Addis- the less years". This is in order to enhance industrial employment in more rural areas

Losses incurred during the CIT exemption period can be carried forward- till max 5 income tax periods- one period is 6 months

Corporate tax holidays depending on size investments and locations- mostly reductions from 0-10% corporate tax. Regular is 25-30%

Voucher scheme: a printed voucher having monetary value which can be sued to pay duties at the time of exports of finishes goods

Possibilities for investment loans with DBE or National Bank Ethiopia (NBE) on a 70-30 scheme. The lender brings in 30% of investment capital. No collateral needed

For large scale investments in priority sectors financing from DBE is available; as of 2015 the borrower need to bring 50% of needed finance

Interest rates 8% - 8,5% terms for investment and co-financing based on 10 years

DBE does not fund SME's except for micro- finance programs funded by development partners

Working capital can be financed additionally with the Commercial bank of Ethiopia provided that

the project passes bankability criteria.

Export incentives: duty draw- backs, vouchers, export credit guarantee schemes

VAT is 15% is reimbursable on monthly base

No income tax for foreign staff that supports knowledge transfer or exchange of expertise for at

least 2-4 years

IP's: industrial parks. If a foreign firm decides to settle on one of the IP's as constructed by the government, they will lease the Shed= the factory or building space for a rate of USD 1 m2 ; depending on location IP this will vary to max 2-3 USD/m2. As comparison: Eastern Industrial Park as constructed by Chinese charge 27USD/m2.

Electricity tariff of 2.7 cent per KW (EU is 10-12 times more)

Ethiopia at present does not have minimum wages. Wage levels differ from 50USD per month for entry-level workers and 70-80 USD for more experienced

2.6.1.10 Free Trade Agreement

The African Growth and Opportunity Act (AGOA) is a United States Trade Act that significantly enhances U.S. market access for (currently) 39 Sub-Saharan African (SSA)

countries. The Act was signed by President Clinton into law in the U.S. on May 18, 2000 and originally covered the 8-years period from October 2000 to September 2008 as Title of The Trade and Development Act of 2000. However, The Act amendments signed into law by U.S. President George Bush in July 2004 further extends AGOA to 2015. At the same time, a special exemption related to apparel (third countries fabric provision for least developed countries (LDCs)) was extended successively in December 2006 and June 2007 for three and two years respectively. As a result the special privilege for apparel was extended to 2012.

The African Growth and Opportunity Act (AGOA) was built on existing U.S. trade programs by expanding the duty-free benefits previously available only under the Generalised System of Preferences (GSP) program to offer tangible incentives for African countries. This will initiate those countries to continue their efforts so that they can open their economies and build free markets. AGOA supports U.S. businesses by encouraging reform of Africa's economic and commercial regimes, which will build stronger markets and more effective partners for U.S. firms. AGOA extends duty andquota-free benefits to imports of a number of apparel and textile products that areproduced in eligible Sub-Saharan African (SSA) countries.

The U.S. government has set different criterions for AGOA beneficiary countries and for determination of product eligibility. The eligibility criterion requires these counties to have progress or make efforts on the following areas:-

The set up of market-based economies,

Development of political pluralism and rule of law,

Elimination of barriers on US trade and investment,

Protection of intellectual property,

Efforts to combat corruption,

Policies to reduce poverty,

Increment on availability of health care and educational opportunities,

Protection of human rights and worker rights,

Elimination of certain practices of child labor, and

The eligibility of GSP in these countries in order to receive AGOA benefits.

The U.S. Customs Services determines the classification of products whether they meet the specified requirement in the Act or not. Essentially all products are/will be eligible as long as they meet the requirements of AGOA's rule of origin and they are imported directly from a beneficiary sub-Saharan Africa country. Exception has set by the U.S. government for products being considered as import sensitive.A country that exports its products to the U.S. using AGOA privilege should take the following general rule of origins in to consideration.

The item/product must be growth, product, or manufacture of a beneficiary developing country and the sum of the cost or value of materials must not be less than 35% of the appraised value of the product when it enters the US market. Out of the 35 %, around 15 ***%*** may be derived from U.S. part or from subSaharan Africa countries that are designated for AGOA beneficiaries.

The article/product(s) must be shipped directly from the beneficiary countries to the U.S. without passing through the territory of any other countries. Or if it shipped through the territory of any other countries, the product must not enter the commerce of those countries while in route to the U.S. In all cases, the invoices, bill of lading and other documents connected with the shipment show that the US is the final destination of the imported article.Duty-free access to the U.S. market under the combined AGOA/GSP program for Sub-Saharan African (SSA) countries stands at approximately 7,000 product tariff lines, including the roughly estimated 1,800 product tariff lines that were added to the GSP by the AGOA legislation. Notably, these include items such as apparel and footwear, wine and certain motor vehicle components. The amended act provided additional congressional guidance to the administration on how to administer the textile provisions of the bill. Since its implementation, AGOA has encouraged substantial new investments, trade, and job creation in Africa. It has also helped the SSA's to promote its integration into the multilateral trading system and to have more active role in global trade negotiations. It has also contributed to economic and commercial reforms, which make African countries more attractive commercial partners for U.S. companies.

Ethiopia was granted the membership of AGOA in August 2001. It is also one of the 18 countries suitable for the special preferential clause regarding textile and garments. Till 2015,

Ethiopia's textiles and garments can be exported to the United States free from custom duties and quota restrictions. Even more favorable condition is that listed Ethiopia as one of the Least Developed Countries (LDC). Ethiopia is entitled to access the U S market with apparel processed with materials imported from any other third country duty free and quota free.

2.6.1.11 Larger potential for Manufacturing Capacities

Improving equipment utilization

Most of the garment factories in Ethiopia are not able to operate at full capacity, with actual manufacturing capacity below 50% of their installed capacity, or half of their capacity unutilized. Garment output could be easily doubled simply through equipment maintenance, operation management and equipment utilization improvement.

Improving productivity

Productivity in the 4 state owned garment factories is very low, with an average output of 5 to 7 shirts per worker per shift. In some of the other developing countries the average output could reach 20 to 25 shirts per worker under the same condition. With appropriate productivity improving measures, the output could be at least doubled.

2.6.1.12 Continued Relocation of the International Garment Processing Industry

Worldwide industrial structure realignments

Some developed industrial countries, which had established good export potentials in traditional industries like textile and garments, have given up the manufacturing activities in their home land due to increase in labor cost, high energy consumption and environment pollution problems. These countries in order to gain higher profits have relocated these activities from their homeland to other developing countries with under developed economies but having rich raw material resources and cheap labor costs. The process of such Industrial structure realignment is taking place since 1960's. In line with the relocation trend the garment sub- sector is in the steady process of inter-regional relocation.

In 1960's the relocation of garment sector shifted from USA and EU to Asian countries and regions like Japan, Korea., Singapore and China's Taiwan province, accelerating the development of the garment processing industries in these areas. The garment processing industry began its second relocation from the United States and Europe toward surrounding

countries such as Turkey and Mexico, to Asian countries like Thailand, Philippines and Indonesia in the initial stage and to China, India, Pakistan and Vietnam in the later stage.

Impact of CBTPA and AGOA on the pattern of the garment sub- sector

In May 2000, the United States issued the Trade and Development Acts, such as Caribbean Basin Trade Partnership Act (CBTPA) and Africa Growth Opportunity Act (AGOA). These two important acts provided duty-free and quota-free preferential access to the Caribbean countries and African countries south of Sahara, for their garment exports to the United States. Since AGOA became effective in October 2000, garment sub-sector in Africa has had a prosperous development. The duty and quota free treatment has directly lowered processing costs in the region, Plus, with the labor costs of comparative advantage. Africa has attracted the shift of garment industries.

2.7 Export Performance

Performance is a measure of the results achieved. Performance efficiency is the ratio between effort expended and results achieved. The difference between current performance and the theoretical performance limit is the performance improvement zone.

Export performance is the relative success or failure of the efforts of a firm or nation to sell domestically-produced goods and services in other nations. Export performance can be described in objective terms such as sales, profits, or marketing measures or by subjective measures such as distributor or customer satisfaction. As a result of the increasing tendency towards a global economy and the severities of trade deficit pressures by many countries, firm behaviour and performance in export markets has received considerable research attention over the last two decades (Katsikeas, 1995).

2.7.1 The need for Export Performance Assessment

In recent decades, there has been a gradual opening and interdependence of economic andpolitical systems that have led to economic globalization. As a result, companies, andparticularly SMEs (small and medium enterprises), are the main players in the international arena where exporting is central to their survival (Dejo-Oricain, et al, 2009).

The study of export behaviour has aroused great interest, both academic and professional,and in public authorities. Katsikeas et al. (2000) highlight the importance of exports fromthree

perspectives. Firstly, for politicians, who analyse exports as a way to accumulateforeign currency reserves, increase levels of employment, productivity and socialprosperity. Secondly, for managers since exports are a form of corporate growth that implyan increase in production capacity, an improvement in financial results and businesscompetitiveness, and also to ensure the survival of the company in a highly globalisedmarketplace. And thirdly, for researchers, who consider exports as a changing but promisingarea to develop theories (Dejo-Oricain, et al, 2009).

2.7.2 Current Measures of Export Performance

Despite a substantial number of studies, the conclusions that can be drawn from theliterature on export performance are often conflicting. A major cause of the conflict arisesfrom the utilization of different measures of export performance. Shoham (1998)identified 29 measures of export performance found in the literature. More recently Sousa(2004) reviewed 43 empirical studies published between 1998 and 2004 and noted 50different operational aspects of export performance. Katsikeas, Leonidou, and Morgan(2000), who reviewed more than 100 empirical studies dealing with export performance,contend that export performance is one of the most investigated issues in internationalmarketing and, likely, the most controversial. They argue, “To some extent, this problemcan be ascribed to difficulties in conceptualizing, operationalizing, and measuring theexport performance construct, often leading to inconsistent and conflicting results”.Several authors have attempted to develop a more structured and consistent approach toresearch in this field by addressing export performance as a construct. As with anymeasure, export performance measures consist of conceptual and operational definitions(Tull and Hawkins 1987).

The conceptual definition attempts to define export performance. The operational definitions establish how export performance can be measured. Conceptual definitions of export performance are explicitly stated in only a very few studies and only a few researchers have developed conceptual definitions of export performance (Dejo-Oricain1 et al, 2009).

So, no yet an agreement exists on which are the characteristics that determine the exporting profile (Dejo-Oricain et al, 2009).

These divergences may be attributed to a number of causes: (1) differences in methodology, in terms of design, sampling, sample size, data collection, and response rates; (2) context, in

the form of the industry or sector contemplated by the research, the country of study, the information source, and momentin time when the data were collected; (3) external environmental factors, such associoeconomic, political-legal, technological, cultural, and competitive forces; and (4) differences in statistical analysis, in terms of method, reliability and validity issues, anddiscussion and interpretation of the data (Gertner et al, 2005).

Although some researchers have advanced useful conceptual and operationalframeworks, they all suffer from content limitations (in terms of collectiveexhaustiveness of the construct's domain) as well as methodological shortcomings (e.g.,the modeled relationship between indicators and construct). A critical review of theseclassification and characterization efforts indicate that the complex and multidimensionalnature of the export performance phenomenon has been acknowledged along the years.

This evolution notwithstanding, there remain some flaws in the analytical frameworksthat have been proposed: some of them are incomplete because they do not include some key characteristics of the export performance phenomenon; some tap aspects thatconceptually lie outside the export performance domain (Carneiro et al., 2007).

A systematic review of the pertinent empirical literature suggests that the vast majority ofthe research efforts have surveyed firms connected with exporting from highlyindustrialized countries, particularly the US and Canada. An implication of this is that itmay be both dangerous and potentially misleading to infer generalizations from suchfindings to export marketing contexts in other countries, especially those at a differentstage of development and/or with a different domestic market size (Katsikeas, 1995).

Despite the rise in the number of studies conducted outside the USA, there are stillcountries from certain parts of Asia, South and Central America, the Caribbean andAfrica that have received little or no attention from researchers. Firms from developingcountries are particularly interesting to study in future research because of their growingpresence in an integrated global economy. Moreover, as developing countries are oftenculturally different from the more advanced countries, they provide a suitable context forassessing the generalizability of the existing knowledge in this area (Dejo-Oricain1 et al,2009).

However, despite these research efforts to identify and examine the influence of variousdeterminants of export performance, the literature is fragmented and atheoretic,

hinderingscholarship and practical advancement in the field (Katsikeas et al. 2000). The resultinglack of a comprehensive theory base for explaining export performance makes it difficult to integrate findings from different studies into a coherent body of knowledge (Aulakh etal. 2000). In fact, the literature on export performance is probably one of the most widely researched and least understood areas of international marketing. Not surprisingly, therefore, the current literature on export performance is (a) fragmented, consisting ofnumerous studies that are characterized for adopting a variety of analytical techniquesand methodological approaches, (b) diverse, investigating a substantial number ofdifferent determinants of export performance, and (c) inconsistent, reporting different andoften contradicting findings on the influence of various determinants of exportperformance, causing confusion and misunderstanding with regard to those constructsthat significantly affect performance in this respect.

Most of the researches done on the export performance are generalized which tried tomeasure the export performance without differentiation for the Garment and otherindustries. But, there have been few efforts to develop and test models by taking garmentproducing companies as their sample. Akyol and Akehurst (2003) for example have triedto explore the international market orientation in the context of Turkish clothing industry.

Though very limited in its scope and dimensions used to conceptualize the exportperformance construct; a recent study by Berihu (2008) to examine the factors thatdetermine productivity and export performance (export sales) of the garment sector inEthiopia (Addis Ababa), is a notable research done to assess the determinants of exportperformance for Ethiopian Garment producing firms.

This diversity of empirical findings gives some credibility to the view that consideringthe characteristics of the specific exporting context leads to a better understanding ofthose factors that influence export performance. This implies that it may be difficult tosuggest universally valid prescriptions for export success, and that situation-specificelements are recognized and emphasized in the process of designing and implementingeffective models of export marketing behavior (Walters and Samiee, 1990).

As mentioned in the above paragraphs, most researches so far on the area of exportperformance are done in the developed countries and might not reflect characteristics

ofthe specific exporting context in the less developed countries. Moreover, most researchesare done to assess the determinants of the Export Performance construct withoutmeasuring the actual performance for a specific organization. This research wouldparticularly measure the export performance of the MAA Garment factory based onselected dimensions from different studies. The dimensions used in this research arethose commonly used by researchers in the field and which are believed to measure theexport performance considering specific characteristics in the MAA Garment context.

2.7.3 Performance and its Measurements

Enterprises considered a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of success because it helps new entrants of the sector to consider the factors and use for their future in the business (Alasadi and Abdelrahim, 2007).

This kind of investigation of the success factor is very important for developing countries like Ethiopia because the research recommendations could be useful for the economic development planners as well as to individual entrepreneurs and business owners. A better understanding of export performance is important as it allows for the accumulation of foreign exchange reserves, increased employment levels, improved productivity, and enhanced prosperity (Czinkota 1994). In addition it can be said that research done on export performance is of interest to managers because it is considered as a tool to boost corporate growth, strengthen competitive edge, and ensure company survival in a highly competitive marketplace (Terpstra and Sarathy 2000)

Performance can be defined as “the degree to which an achievement is being or has been accomplished” (Metcalf, R. W. and P. L. Titard, 1976). A business enterprise could measure its performance using financial (objective) or non-financial (Subjective) measures and a combination of both. Indicators that are based mainly on absolute values such as export intensity, export sales volume, and export market share are called objective measures. Both types of export performance measures will be discussed in brief hereunder.

2.8. Internal and external Problems of Exporting

According to (UNCAD 2004), export performance determinants can generally be divided into external and internal factors. External factors are related to market access conditions, a country's location vis-à-vis international markets and other factors affecting import condition of foreign countries. Internal factors refer supply-side limitations. Supply conditions are fundamental in defining the export potential of an economy. Countries with better supply conditions are expected to export more. Supply capacity is affected by access to raw materials and factor related to costs such as: labour, capital and other resources. Besides resource endowment, economic policy and the institutional environment also affect the supply capacity of the country.

The internal/external divide corresponds to the two theoretical approaches underpinning most of the empirical research of export performance the resource based view of the firm (RBV) and the contingency theory. Studies examining the internal factors which are grounded in the RBV approach, and assume that the firm's export performance is under the control of the firm and its management. The resource-based view (RBV) proponents suggest that exploitation of distinctive, immobile strategic resources owned or controlled by a firm are its source of superior performance (Zou and Stan, 1998; Katsikeas et al, 2000; Sousa et al., 2008).

External determinants are supported by the industrial organization theory. In contrast, the industrial organization (IO) theory argues that the external factors determine the firm's strategy, which in turn determines economic performance (Scherer and Ross, 1990). The logic is that the external environment imposes pressures to which a firm must adapt in order to survive and prosper (Collis, 1991). Following the IO theory, the external factors and firm's export strategy are the primary determinants of export performance.

2.8.1 Internal problems of Exporting

2.8.1.1 Labor

The term "Human Capital" has been defined by Schultz (2003) as a key element in improving a firm assets and employees in order to increase productivity as well as sustain competitive advantage. Furthermore Human capital is defined as "The knowledge, skills, competence and attributes embedded in individuals that facilitate the creation of personal, social and economic

well being" by (Organization for Economic Co- Operation and Development or OECD, 2001:18).

The garment industry is a labor intensive industry (Isam and Shazali 2011). In most studies carried out on human capital and their implication on performance of a firm human capital enhancement will result in greater competitiveness and performance of a firm (Agrawala, 2003). In empirical lireture; Pfaffermayr (1996) justifies the positive impact of labor force on export. Factors such as experience, training which can be on job or off job training has an effect on performance of a firm. Skilled labor force is the source of competitiveness in production. In another study done by (Kumar and Siddhartha, 1993) on Indian exporting firms it's found that Skills have a positive influence in export performance. In a similar study carried out in Pakistan garment firms by (Nebil and Hamd, 2013) reveals two vital categories of workers affecting their performance growth: stichers and middle management; i.e. supervisors, technicians and engineers in the area of production, quality control.

Many developing countries including Ethiopia are trying to exploit this advantage of skilled as well as unskilled labor force which is found to be the competitive advantage in the garment manufacturing and export sector. According to United Nations projections reported by Mackenzy Sub-Saharan Africa will have the highest growth in working age population over the next 20-30 years. It's further more reported that the working population in the region is expected to be as large as Chinas today i.e. with 900million people who will serve as a competitive advantage in the manufacturing sector specially the garment sector which is known as a labor intensive sector.

2.8.1.2 Capital

Capital is one of the factors of productivity hence performance which indicates an industries capacity to combine inputs to generate value added. Financial resource deals with the ability to access cash and capital (Ling- Yee, L., &Ogunmokun, G.O. 2001). The resource based theory suggests that export financing plays a vital role for exporting firms to perform well and compete in international market. The availability of of working capital in order to meet costs related to purchase and produces of exportable goods as well as cover pre-shipment costs and unexpected difficulties. Better industrial export activities require high liquidity and working capital (Yaprak, 1985). In world banks (2007), enterprises survey only 17.7 percent of

Pakistani firm's surveyed responded access to finance as major constraint, compared to 33.4 percent in other South Asian countries and 29.7 percent across 135 countries. More over in another study on Bangladesh confirms that firms were concerned about high level of interest rates even for loans backed up by sound collateral (Khar, 2008). In other studies the ability of financial resources presents little organizational activities and an overall weak positive relationship with financial performance (Anna Kaleka, 2012; Levinthal, 1997). Capital intensity that gives competitive advantage to a firm through the production of technology or better quality products, however gives a negative relationship with export performance of Indian firms (Kumar and Sidhratha, 1993). But to the contrary (Bernard and Wagner, 1996) have found that firms in Germany exhibit positive influence of capital intensity on export performance.

2.8.1.3 Information Technology

The technological development in the world affects the export oriented firms adversely. Most recent development in technology is considered to be pervasive to all types of firms engaged in the manufacturing and service sector of developed and developing nations as (James, 1994; Domes et.al, 1997) states. Many developing countries have been able to strengthen their comparative advantage by focusing on the building of technological capability, on adoption of new technologies, and on the development of skills to use these new technologies effectively and efficiently (Noland, 1997). A study conducted by Aw Bee Yan et.al (2008) on Taiwanese electronics exporters, illustrates casualty between R&D and productivity.

In order to remain competitive in the global market garment exporting firms are forced to adopt up to date technology. Most garment manufacturing firms worldwide use IT mainly in the Design and Pre-assembly stages of manufacturing process. These IT tools are (1) Integrated Management Information Systems (IMIS). (2) Computer- Aided- Design (CAD). (3) CAD Integrated with high resolution scanner used for embroidery work on fashion clothes. Information management system is used for office automation and other managerial activities. CAD and MMS are used in the design, grading, and pattern-making stages whereas the computerized embroidery system is used at the assembly stage.

2.8.1.4 Managerial Capability/Talent

Firm's decision makers play a vital role in the firms performance. Managers deal with the cost, profit and risk of a firm. Education, training and exposure provide the skill set and knowledge that equip them with tools like technology literacy which helps to increase productivity and hence success in performance. "Education cultivates comprehensive literacy, this would help owners/managers to interpret relevant information to do effective planning and make well-informed decisions which would ultimately enhance the organizations success" (Mohan-Niell, 2009). In similar study its stated that the crucial element of a firm characteristic is leadership since organization leader is the decider of all corporate roles, directions and strategies affecting production innovation (Matzler et.al, (2008) accordingly leaders bring success to the firm with attainable overall operations through sales turnover, increase the firm's success, profit and growth of the enterprises (Siriwoharn, 2008). Kammath, Rom, et.al., (1987), in their research they found that the skill managers are a key factor in term of export performance.

Also in another study suggested that the training of managers, knowledge of foreign languages and their export experience influence the export performance (Luis Filipe Lages, 2008). The management capabilities provide superior support to export distribution and to develop a better relationship with customer (kaleka, 2002). Specifically, the establishment and development of close relationship with the foreign customers require a skilled management team (StavroulaSpyropoulou, et.al, 2010).

2.8.2 External Problems of Exporting

2.8.2.1 Raw Material

If a manufacturer has effective control over the supply of raw materials and components needed to produce exportable products, then we can say the production and performance is uninterrupted and sustained. Moreover the important contributor to the final cost of most of the products is the raw material cost. The firms usually face the dilemma of cost or quality. It is well known that the cost and quality has direct relationship but inverse relationship to value addition. The value of products can be enhanced by either reducing the price or increasing the cost. Sometimes the cost and availability of raw material (Lal, 1999) is very much affected by the price and availability of substitutes.

According to the Ethiopian Ministry of Agriculture (MoA), a total of 3 million hectares of land is suitable for cotton farming. This will put Ethiopia at Par with Pakistan with the same size of 3 million hectares for cotton farms. Currently, this potential remains largely untapped with only 78,000 hectares cultivated in 2012/2013 growing period (Ethiopian Cotton development and Marketing Strategy Performance report 2012/1013) which constitute only 2.6% of the available land.

2.8.2.2Marketing Strategy

As the firms in a developing country like Ethiopia are likely to be smaller in export experience than those in developed countries, these firms are likely to use a number of intermediaries to reduce their cost and risk to sell their products in the external market. Through export intermediaries, the exporting firms can gain access to international markets without having to incur the costs associated with measures such as searching for new markets, establishing in house marketing channels for external markets, developing knowledge base of foreign market, costs associated with developing trust and credibility with customers in external markets, negotiating and monitoring contracts to ensure performance (Rosson and Ford 1982; Cavusgil 1983).

Earlier research done by (Aaby and Slater 1989; Cavusgil and Zou 1994; Francis and Collins-Dodd 2000) has found that distribution strategies, including the use of intermediaries and strategic partnerships, are related to export commitment. Moreover, committed exporting is dependent on ongoing distribution arrangements and frequent visits to foreign representatives as per the research done by (Beamish, Craig and McLellan 1993).

2.8.2.3 Government Regulations and Incentives

Government policy and regulation needs to support the garment industry so as to reduce or even eliminate the loss of both manufacturing base and labor force. Financial aid mainly provision of easy access to fund (John, 2005) or investment incentive tax aid (Chen and Cheng, 2007) education and training assistance in both product quality and labor skill development and public business operations(Mataraarachchi and heenkenda, 2012). Government policies have a formidable positive influence on the export performance of Indian firms (Patibandala, 1988). (Togan, 1993) investigated structure of export incentives in Turkey from 1983 to 1990, and found out that the export incentives are export credits, tax

rebate scheme, premium from the "Support and Price Stabilization Fund", duty free imports of intermediates and raw materials, and exemption from the value added tax, foreign exchange allocations, exemption from the corporate income tax and other subsidies.

One of the primary responsibilities of the government clearly pointed out in the Industrial Policy and Strategy of Ethiopia is creating conducive environment for industrialization. That includes: Stable macro-economic environment, Development of conducive financial system; Reliable infrastructure provision; Trained manpower; Effective & efficient administrative/governance structure and Efficient judicial system. In line with this, the Industrial Policy and Strategy identified subsectors for Promotion: Textiles and garment industries; Meat, leather and leather products industries; Agro-processing industries; Construction industries; and Small and Micro Enterprises. The Textiles and Garments subsector is one of the best demonstrations of the industrialization stride and the success of the policy as it became to receive substantial interest from key global textile companies.

2.8.2.4 Institutional and between Industries Relation and Support

In a study (Salam, 2005) it was suggested that business should combine their resources into business alliance through their supply chain in order to meet customers needs and generate competitive advantages. It is not essential for firms to compete with each other but instead form alliances to help support each other and create network for business growth expansion which leads to increased sales. The alliance maid by specific groups within international garment industry includes domestic and foreign agents retail and wholesale shops with internal commerce capabilities that have clear contact terms and conditions as well as formation of networks with customers (Rujithamrongkul, 2005).

In addition (Watchravesringkan et. al, 2010) considered firm level strategies as an executive networking system or business alliance still supports business operations in order to decrease production costs, enhance productivity and create continuous innovation. Those firms that reform and embrace these factors will be in a better position from their competitor and continue their business successfully (Suttle and Medea, 2012).

The main organ of the government that was established on June, 2010 following the implementation of the Industrial Development Strategy is Ethiopian Textile Industry Development Institute (ETIDI). ETIDI is established with the objective of supporting

investors by enabling the Ethiopian textile industry to be competitive in the global market by promoting and supporting investment, providing consultancy services and training, conducting research and development activities and giving laboratory inspection and marketing support services (ETIDI 2013). The other institution formed representing the interests of its 80 member factories is Ethiopian Textile and Apparel Manufacturers' Association (ETGAMA) which is a national association of the Ethiopian textile and apparel industry, established in 2003 . The basic objective of ETGAMA is representation of member's interest predominantly with capacity building in technical, marketing and policy environment (ETGAMA 2014).

The study presented to the African economic conference by (MsRahel Abebe,2007) on the topic, AGOA: The Case of Ethiopia textile sub-sector, has extensively addressed the problems faced by the Ethiopian textile and apparel industries in utilizing this privilege as lack of coordination and trust on the textile and apparel producers to work together and lack of coordination between industries and relevant trade bodies.

2.8.2.5 Infrastructure

Firms' operating from a developing country like Ethiopia would also be required to take into account the uncertainties on account of rather poor infrastructure in the system. To be competitive in the present liberalized business environment, a domestic enterprise needs world class and cost-effective infrastructure. Better roads, better connectivity, modern airports and railways, efficient ports and affordable and reliable power are all the basic requirements for a competitive economy. Non-availability of the same could result in costs to a firm because of needs such as maintaining inventories at various stages of the work-in progress and the need of excess liquidity to meet such unavoidable transaction costs on account of an underdeveloped system.

Most African countries, many of which are LDCs, are characterized by poor transport infrastructure, and are found in all periods to be poor export performers (UNCTAD 2002). This appears to indicate that African countries could do much to raise their supply capacity by investing in transport infrastructure. This conclusion is supported by other studies. (Limao and Venables, 2001) present some empirical analysis indicating that levels of trade flows observed for African countries are relatively low, essentially because of poor transport

infrastructures. This could be more acute in the case of landlocked countries because of their geographical landscape and location. Which Ethiopia is also in the same position as it's a land locked nation using neighboring country to export.

2.8.3 Prospective for job creation and Economic Development

Over the last decade, Cambodia's studied that garment industry has been a key source of export growth and formal employment and directly contributes approximately 10% to the country's GDP. Given the fact that the industry was practically non-existent in the early 1990s, its growth all the more remarkable. Over the past decade, garment industry employment in Cambodia has risen from 18,000 to over 200,000 workers. Although this represents only about 3% of total employment in Cambodia, it accounts for over 36% of employment in the emerging manufacturing sector.7 Most of the workers are young women (aged 18-25) who migrate from poor rural areas to the capital Phnom Penh where the majority of garment factories are located.

Between 1997 and 2003, exports of garment products from Cambodia grew by over 300% in volume, and over 600% in nominal US$ value terms. Exports to the US alone rose from less than US$1 million in 1995 to over US$1.1 billion in 2003.

2.8.3.1 Garment Sector Export Performance in Global Trend

Total global textile and garment export has reached a staggering US 708 Billion in the year 2012 according to WTO 2013 Annual Report. The three largest global exporters of apparel are China, Turkey, and Hong Kong, together they account for one-half of global apparel exports in 2005 (USITC, 2007). China continues to be the leading exporter of textiles and clothing. Its share in world exports increased to 33 per cent for textiles (up from 32 per cent in 2011) and to 38 per cent for clothing (up from 37 per cent). WTO 2013 Annual Report states that the European Union and the United States remain the major markets for clothing, accounting for 38 per cent and 20 per cent respectively of world imports in 2012 moreover its reported that the clothing industry export growth rate has averaged 6 percent from 2005-2012 and will continue in the similar trend.

2.8.3.2 Garment Sector Export Performance in Sub-Saharan Africa

According to a study report by (USITC 2007) from the SSA, the major exporting countries are Kenya, Lesotho, Madagascar, and Botswana; other recently emerging export countries such as Ethiopia, Ghana, Tanzania, and Swaziland are increasing activity in the sector, owing to factors such as SSA government initiatives, increased foreign investment, intra-SSA country partnerships, and trade preferences such as AGOA Trade agreements and preference programs. Moreover, AGOA's third-country fabric provision has served as strong catalysts for increased apparel exports from SSA. More recently, Botswana and Ethiopia also have increased exports of textiles and apparel due, in part, to strong government incentives and comparatively low wages (USITC 2007).

The AGOA program has stimulated numerous foreign investment projects in several SSA textile-producing countries. Most of the investment has come from Asian sources and a few from Africa. This act the African Growth and Opportunity (AGOA) Act of the early 2000s gave many exporters in Africa duty-free access to the US market. Between 1999 and 2004, clothing exports grew from virtually nothing to US$ 495 million in Lesotho, US$ 333 million in Kenya, and US$ 205 million in Swaziland. The value of sub-Saharan African clothing exports to the US dropped by 26 percent during 2004–2006, including 26 percent from Madagascar, 24 percent from Swaziland, 53 percent from South Africa, and 48 percent from Mauritius (Kaplinsky& Morris, 2008). According to the recent (USITC, 2014) report US import under AGOA reached USD 907million in 2013 while US global import stood at USD 19 billion, that of Africa stands at only 0.08 percent. This apparel sector offer potential for further export growth and utilization of the program to its maximum.

The growth of the garment industries in SSA countries continues to be constrained by widespread shortages of raw materials and textile inputs, high production costs relative to Asian suppliers, obsolete equipment, and capacity underutilization. The entry of used clothing and inexpensive smuggled goods that compete with local production is also a factor in the numerous countries. In addition, the export competitiveness of SSA countries in the global textile and apparel market has been hampered by high taxes, utility and input costs according to the recent (USITC, 2014) report.

2.8.3.3 Garment Sector Export Performance in Ethiopia

Ethiopia is endowed with favorable geographical and weather conditions and abundant water resources to grow cotton. The expansion of cotton planting and rise of yield will guarantee a sufficient supply of raw material for textile. Furthermore, Ethiopia is endowed with a cheap labour force. By means of the processing of raw materials, it is possible to upgrade the industrialization level, and promote the development of the whole economy.

Agriculture and Rural Development report quoted by RahelAbebe (2007), "Ethiopia has 2,575,810ha of land suitable for cotton production, which is equivalent to that of Pakistan, the fourth largest producer of cotton in the world". This shows that Ethiopia has a huge potential to develop cotton farms for domestic input as well as export as raw material and semi processed product.

As per the report of Ethiopian Ministry of Industry of 2013 report the structure of the Ethiopian economy has been evolving considering the record portion held by agriculture sector as dominant. In 2012/13 agriculture accounted for 42.9 percent of GDP compared to 46.5 percent in 2009/10. The share of the industrial sector in GDP increased to 12.4 percent in 2012/13 from 10.3 percent in 2009/10, while the service sector accounted for 45.2 percent in 2012/13 compared to 44.1 percent in 2009/10. This shows the composition of the economy has changed in favor of industry and service sectors over the last three years even if it's below the planned target for the industry sector.

The Ethiopian textile and Garment sector is the third largest manufacturing industry, only after the food processing and beverage industry, and leather industry. As a result of the governmental export incentives and opportunity of international trading environment, in the past few years, the export of textile and garment product has shown an increase. According to ETIDI in 2012, the manufacturing industry contributed 13% to the country's GDP. The textile and apparel industry's share of the GDP is 1.6% while it accounts only for 12.4% of the industrial output. The manufacturing Industry as a whole has been growing on average by 10.2% annually for the last seven years while the textile industry has shown a tremendous average growth rate of 52%. The Ethiopian government has ranked the textile and apparel sector as the first and core sub sector of priority. It has designed different incentive mechanisms to expand investment and promote export in the textile and apparel industry. The

share of the industrial sector in GDP increased to 12.4 percent in 2012/13 from 10.3 percent in 2009/10 according to the report by ministry of industry of Ethiopia 2014 report. Export earnings of the manufacturing industry total at USD 207.7 million in 2010/11, USD 255.5 million in 2011/12 and USD 281.1 million in 2012/13. Further disaggregation of the manufacturing export earnings shows an increase in export earnings by all sub-sectors compared to the preceding years' performances, but below the planned targets. Close to USD 2 billion is expected in exprt earnings from manufacturing by the end of the GTP period.

Research gap analysis

Based on the literature of Alasadi, Abdelrahim, Terpstra and Sarathy conducted about the performance and measurements of the garment exporting industry. But they did not explain the challenges and prospects of garment exporting industry to a great extent which created a gap. In case of Oromiya region, there is no related study and there is a lack of effective material, sustainable and professionally use in garment exporting Industry. Hence, it is relevant to conduct research in this topic.

CHAPTER 3

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Research Methods, Materials and Procedures

The analysis and discussion in this Study is based on data collected from two complementary sources. The first one is field work - primary data which is collecting data from firms in the sector. The second one is documentary or secondary sources. These two sources together generate both qualitative and quantitative data, which are used to explore the essence of this study. This is essentially descriptive and also explanatory research type. The approach is chosen for this project because it will help to capture the details of firm level as well as the sectors export performance. The procedures that are followed in data processing and analysis are described in the sections that follow.

3.2. Research Design

In view of the fact that the overall objective of the Study is to identify and assess the current problems facing the export performance of the garment sector. The research design used is mixed approach of both descriptive and explanatory. It's partly descriptive because it describes and interprets findings from primary and secondary data. It's partly explanatory as it tries to investigate and explain current problems affecting the export performance of the garment sector.

3.3. Sampling and Target population of the Project

The study population covers garment exporting industries located in Ethiopia particularly within the vicinity of Oromia Region. According to data from Ethiopian Textile Industry Institute (ETIDI) and Information team, out of the total 106 garment manufacturers in Ethiopia, there are 18 garment manufacturers located within the Oromia Region, However, from the aforementioned manufacturers which are located in Oromia Region, the researcher has taken 4 of them as a sample for the research as these only are engaged in export.

The list of target companies selected for the purpose of the Study is as follows.

Table3.1 Showing companies selected for this study

No	Name the factory	Location
1	Novastar garment P.L.C	Gelan
2	Knit to finish Express P.L.C	Gelan
3	G.G Supper garment P.LC	Bishoftu
4	NathrethGarment Company	Adama

Source: Ethiopian Industrial Textile Industry Development Institute reports

In order to study the garment sector in Ethiopia the researcher has purposively selected General Manager, Marketing Manager or Public relations, Export Manager and other executives involved in export activities. A total of 52 respondents were considered as the sample for this study.

3.4. Methods of Data Collection

3.4.1. Documentary Sources

As expected of a study, an important starting point is the review of literature. The search for literature and documents for this study is therefore, conducted using libraries, personal collections and the internet to get both qualitative and quantitative data. The search has also generated useful documents and information that provide insights into the theme of the Study by analyzing the former works.

3.4.2. Fieldwork and primary Data Collection Techniques

To achieve its objective, both qualitative and quantitative data were obtained through the use of self administered questionnaires and interview of officials concerned where ever necessary. Questionnaire was prepared and administered to contacted key informants who are senior executives (General Manager, Marketing Manager or Public relations) from the industries contacted and supportive government institutions to obtain first-hand fresh information on issues affecting the efforts of the promoters not to pursue the goal to optimize their export performance. The total numbers of garment firms selected to fill the questionnaire are predetermined to be 4 garment sector engaged in export.

3.4.3. Questionnaire Design

The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questions were kept as concise as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire is to be completed by the respondent (John A. et al., 2007). The literature in the study was used as a guideline for the development of the questions in the questionnaire. The questions that were used in the questionnaire are multiple-choice questions and five-point likert scale type questions. A total of 24 questions were addressed towards problems while 7 questions addressed prospects. In addition questions were also included to collect demographic characteristics of the respondents. The type of scales used to measure the items on the instrument is continuous scales.

3.5. Methods of data Presentation and Analysis

To achieve the stated objectives and come up with reliable results, in its presentation and analysis, the paper used descriptive statistics and Exploratory Factor Analysis (EFA). The main reason to make use of these methods is the very nature of the study, i.e., descriptive study. A detailed literature has revealed that there is no study on identifying problems and prospects of garment exporting units in Ethiopia. Therefore an Exploratory Factor Analysis is considered appropriate. Secondary data have also been used either in original form as given in the source or in modified form for drawing conclusions. Overall, there is blending of the different kinds of information that have been collected to address the theme of the study. To interpret the data, the researcher used SPSS 23.

3.6 Ethical Consideration

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent was secured before the commencement of administering of questionnaire and asking interview questions. Regarding the right to privacy of the respondents, the study maintained the confidentiality of the identity of each participant. In all cases, names are kept confidential thus collective names like ‘respondents’ were used

CHAPTER 4

4. RESULTS AND DISCUSSION

Introduction

Data that is collected from primary and secondary data sources is analyzed in this chapter. In this study a pilot tested questionnaire was distributed to various personnel who are involved in export activities and were duly collected. Data so collected is analyzed and presented in this chapter in the following sections.

4.1 Rate of Response Obtained in this Study

A duly pilot tested questionnaire was distributed to 52 purposely selected employees of four garment exporting units. Out of these 50 questionnaires were filled and returned. Effectively this study has a response rate of 96 %. The reason for achieving high response rate was purposive selection of respondents. Also it may be attributed to quick response from the employees and managers as there has not been any survey as the current one been conducted in this industry before. Therefore the results of these surveys could be used for drawing reliable conclusions regarding the purpose of this study.

4.2 Demographic Characterization of the Respondents

The demographic characterization of the respondents is presented in terms of Age, Gender, Educational qualification and Experience in the Industry. These are presented in the following sections.

4.2.1 Age of the respondents

Table 4.1: Age of the respondents

		Frequency	Valid Percent	Cumulative Percent
Less than 25	years	3	6.0	6.0
26-35 years		37	74.0	80.0
36-45 years		9	18.0	98.0
More than 46yrs		1	2.0	100.0
Total		50	100.0	

Source: Researcher's own computation from primary data sources

Table 4.1 shows the age of the respondents. It is seen that 74 % of the respondents are in the age group of 26 – 35 years and 18 % are aged more than 36 years. Only 6 % are below 25 years of age. It is therefore observed that most of the respondents are young and in professionally productive age.

4.2.2 Gender of the Respondents

Table 4.2 showing gender of the respondents

	Frequency	Valid Percent	Cumulative Percent
Male	44	88.0	88.0
female	6	12.0	100.0
Total	50	100.0	

Source: Researcher's own computation from primary data sources

Gender of the respondents is shown in table 4.2. It is observed that 44 respondents out of 50 are male and a mere 6 are female. As such it is found that 88% of the respondents are male whereas a mere 12 % are female.

4.2.3 Educational Qualifications of the Respondents

Table 4.3 Showing Educational Qualifications of the respondents

	Frequency	Valid Percent	Cumulative Percent
Diploma	11	22.0	22.0
Degree	31	62.0	84.0
Master and above	8	16.0	100.0
Total	50	100.0	

Source: Researcher's own computation from primary data sources

Table 4.3 shows the educational qualifications of the respondents. It is observed that about 62 % of the respondents have degree and 16% have masters and above. Therefore it is found that 78% of the respondents are highly educated and capable of providing their valuable opinion regarding the various aspects discussed in this study.

4.2.4 Number of Years of Work Experience in the Industry of the Respondents

Table 4.4 Showing number of years of experience in the Industry

	Frequency	Valid Percent	Cumulative Percent
1-5 yrs	23	46.0	46.0
6-15yrs	17	34.0	80.0
16-25yrs	9	18.0	98.0
above 25yrs	1	2.0	100.0
Total	50	100.0	

Source: Researcher's own computation from primary data sources

Table 4.4 shows the number of years of industry experience of the respondents. It is found that about 46% of the respondents have 1 – 5 years experience, while 34 % of the respondents have about 6 – 15 Years while 20% of the respondents have more than 16 Years of experience. Thus it is observed that most of the respondents are young to the industry.

4.3 Descriptive Analysis

In this study data relating to 24 specific questions was collected regarding the various problems that are encountered by export oriented garment factories. Data was collected on a Likert like scale of 1 to 5(1 = strongly disagree; 2 = disagree; 3 – neither agree nor disagree; 4 = agree and 5 = strongly agree). The following sections deal with problems of garment exporting.

4.3.1 Reliability Statistics (Cronbach's Alpha)

Further to test the reliability of scale used Cronbach's alpha was calculated. Cronbach's alpha is a measure used to assess the reliability, or internal consistency, of a set of scale or test items. Cronbach's alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability (**Cronbach, 1970**). A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach's alpha was 0.745 which is a good indication of constructs reliability.

Table 4.5 showing Cronbach' alpha

Cronbach's Alpha	N of Items
.745	24

Source: Researcher's own computation from primary data sources

4.3.2 Descriptive of Questionnaire Items

In order to facilitate essay descriptive analysis each question is coded as Q1, Q2 and so on. In addition to this a description of each question is also provided. In the following section a brief summary of descriptive statistics is provided. Mean, minimum score, maximum score and standard deviation of each question is calculated. This gives an initial understanding regarding 24 questions poised to the respondents.

Table 4.6 Showing descriptive statistics of problems facing export oriented garment manufacturing companies

	Variable	N	Min	Max	Mean	S.D
Q1	Fluctuations in supply of labor force in general	50	3	5	3.78	.679
Q2	High Interest rate charged by Financial Institutions.	50	2	5	3.48	.909
Q3	Complicated and Time consuming loan processing procedures	50	2	5	3.62	.753
Q4	Official delays in acquiring new technology	50	4	5	4.68	.471
Q5	Lack of finance for acquiring new technology	50	3	5	4.24	.822

Q6	Lack of skill in handling new technology	50	4	5	4.66	.479
Q7	Inexperience of existing staff in dealing with machine failures	50	3	5	4.48	.544
Q8	Shortage of technically educated managerial personal	50	3	5	4.40	.571
Q9	Lack of expertise of managers	50	3	5	4.34	.557
Q10	In adequate supply of locally produced raw materials.	50	3	5	4.18	.482
Q11	Lack of quality in locally produced raw materials.	50	3	5	4.40	.535
Q12	High cost of locally produced raw material	50	2	5	3.80	.495
Q13	High dependency on imported raw materials.	50	2	5	3.82	.523
Q14	Marketing Personnel lack experience	50	3	5	4.24	.476
Q15	No frequent communication with suppliers and customer,	50	2	4	2.72	.757
Q16	Rare foreign visit and participation in trade fair and promotion activities to reach and maintain market	50	2	4	3.08	.778
Q17	No supporting institutions and associations that represent the sector.	50	4	5	4.26	.443
Q18	No alliance among firms to support each other	50	4	5	4.26	.443
Q19	Lack of supportive coordination between institution and associations	50	3	5	4.02	.247
Q20	Severe shortage of adequate electricity, water and communication network for business operation	50	4	5	4.84	.370
Q21	High Transportation charges	50	4	5	4.44	.501
Q22	Delays in port handling and custom processes	50	3	5	4.14	.452
Q23	Inefficient Port handling and customs processes for raw material import and export of export product	50	3	5	4.40	.606
Q24	High Port handling charges	50	4	5	4.26	.443

Source: Researcher's own computation from primary data sources

According to table 4.6 it is observed that the highest mean score(4.84) goes to Question 20, with a standard deviation of .370, followed by question 4 (4.68)(S.D of 0.471), followed by question 6 with mean score of 4.66 and standard deviation of 0.479 and so on.

4.4 Factor Analysis

This study employs an Exploratory Factor Analysis. In factor analysis, variables are not classified as independent or dependent. Instead, the whole set of interdependent relationships among variables is examined.(Malhotra& Birks, 2007). There are two main approaches to factor analysis in the literature—exploratory and confirmatory. Exploratory factor analysis is often used in the early stages of research to gather information about (explore) the interrelationships among a set of variables. Confirmatory factor analysis, on the other hand, is a more complex and sophisticated set of techniques used laterin the research process to test (confirm) specific hypotheses or theories concerning the structure underlying a set of variables.(Susan Palant (2007)

The term 'factor analysis' encompasses a variety of different, although related techniques. One of the main distinctions is between what is termed principal components analysis (PCA) and other factor analysis (FA). These two sets of techniques are similar in many ways and are often used interchangeably by researchers. Both attempt to produce a smaller number of linear combinations of the original variables in a way that captures (or accounts for) most of the variability in the pattern of correlations. They do differ in a number of ways, however. In principal components analysis the original variables are transformed into a smaller set of linear combinations, with all of the variance in the variables being used. In factor analysis, however, factors are estimated using a mathematical model, where only the shared variance is analysed (Tabachnick&Fidell, 2001).

4.4.1 Assessment of the Suitability of the Data for Factor Analysis

There are two main issues to consider in determining whether a particular data set is suitable for factor analysis: sample size, and the strength of the relationship among the variables (or items).

4.4.1.1 Justification of Sample Size

While conducting factor analysis where there is no hypothesis testing, sample size is still an important issue for evaluation. Although there is no method to determine statistical power, researchers have proposed a wide range of recommendations and guidelines regarding adequate sample sizes when conducting a factor analysis. Nunnally (1978) recommended that at least 10 subjects per variable are necessary to reduce sampling errors. Comrey and Lee (1992) offered the following guidelines for adequate sample sizes: 100 = poor, 200 = fair, 300 = good, 500 = very good, 1000 or more = excellent. Gorsuch (1983) recommended that N should be at least 100.

A number of researchers have concluded that an adequate sample size is dependent on other aspects related to the nature of the data and the factor loadings. MacCallum, Hong,Widaman and Zhang (1999). According to the researchers, "Under some conditions, relatively small samples may be entirely adequate, whereas under other conditions, very large sample may be inadequate" (p.86). More specifically the researchers say higher communalities (all greater than .6) and high over determinations (each factor having 3-7 high loadings) are important elements in achieving good recovery of population factors even when N is less than 100. Costello and Osborne (2005) concluded that the stronger the data, the smaller the sample can be for accurate analysis. Strong data means uniformly high communalities with several variables loading strongly on each factor. If strong data does not emerge the researchers say a larger sample may be necessary. Therefore, based on the above arguments a sample size of 50 responses is considered adequate for this study.

4.4.1.2 Correlation Matrix and KMO (Kaiser–Meyer–Olkin) and Bartlett's test

The second issue to be addressed concerns the strength of the inter-correlations among the items. Tabachnick and Fidell recommend an inspection of the correlation matrix for evidence of coefficients greater than .3. If few correlations above this level are found, then factor analysis may not be appropriate. Two statistical measures are also generated by SPSS to help assess the factorability of the data: Bartlett's test of sphericity (Bartlett, 1954), and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (Kaiser, 1970, 1974). The Bartlett's test of sphericity should be significant ($p<.05$) for the factor analysis to be considered appropriate.

The KMO index ranges from 0 to 1, with .5 suggested as the minimum value for a good factor analysis (Tabachnick&Fidell, 2001).

Correlation matrix

Table 4.7 Showing Correlation Matrix

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24
Q1	1.00																							
Q2	0.11	1.00																						
Q3	0.07	0.45	1.00																					
Q4	-0.16	-0.16	0.11	1.00																				
Q5	-0.01	-0.21	-0.15	0.73	1.00																			
Q6	-0.17	-0.32	-0.03	0.87	0.73	1.00																		
Q7	0.07	-0.27	-0.19	0.53	0.74	0.64	1.00																	
Q8	0.39	-0.30	-0.11	0.41	0.62	0.28	0.42	1.00																
Q9	0.47	-0.37	-0.12	0.42	0.53	0.37	0.53	0.78	1.00															
Q10	0.00	-0.20	-0.20	0.08	0.35	0.09	0.13	0.33	0.22	1.00														
Q11	0.14	-0.45	-0.27	0.36	0.47	0.46	0.52	0.60	0.49	0.43	1.00													
Q12	-0.13	0.08	0.01	-0.02	-0.23	-0.03	-0.17	-0.14	-0.27	-0.53	-0.15	1.00												
Q13	-0.06	0.06	-0.02	-0.07	-0.37	-0.17	-0.34	-0.16	-0.28	-0.52	-0.10	0.73	1.00											
Q14	0.17	-0.27	-0.25	-0.11	0.06	0.01	0.10	0.09	0.30	0.61	0.34	-0.57	-0.40	1.00										
Q15	0.04	-0.22	-0.33	0.20	0.54	0.30	0.58	0.31	0.38	0.14	0.28	-0.26	-0.34	0.08	1.00									
Q16	-0.01	-0.14	-0.37	0.07	0.35	0.24	0.49	0.20	0.22	0.34	0.41	-0.28	-0.37	0.39	0.49	1.00								
Q17	-0.08	0.04	-0.19	0.21	0.27	0.23	0.40	0.15	0.13	0.25	0.24	-0.22	-0.32	0.18	0.22	0.71	1.00							
Q18	-0.08	-0.01	-0.19	0.21	0.22	0.23	0.15	0.15	0.21	0.35	0.24	-0.22	-0.23	0.38	0.10	0.59	0.79	1.00						
Q19	0.03	0.05	-0.07	-0.12	-0.13	-0.11	-0.38	-0.06	0.10	0.14	-0.06	0.03	0.19	0.31	-0.19	-0.12	-0.24	0.33	1.00					
Q20	0.18	-0.07	0.07	-0.07	-0.07	-0.08	-0.12	0.12	0.27	0.05	-0.08	-0.07	-0.15	-0.01	-0.09	-0.24	0.13	0.26	0.26	1.00				
Q21	0.23	-0.20	-0.20	0.18	0.38	0.30	0.33	0.30	0.33	0.34	0.40	-0.05	-0.16	0.32	0.60	0.43	0.12	0.30	0.26	-0.16	1.00			
Q22	0.10	-0.02	-0.14	0.02	0.13	0.04	0.05	0.17	0.29	0.35	0.19	-0.15	-0.24	0.41	0.06	0.37	0.43	0.73	0.52	0.26	0.44	1.00		
Q23	0.02	-0.32	-0.24	0.10	0.42	0.27	0.27	0.35	0.25	0.38	0.38	-0.20	-0.35	0.23	0.56	0.49	0.14	0.29	0.08	-0.16	0.69	0.46	1.00	
Q24	0.13	-0.06	-0.19	0.02	0.22	0.14	0.15	0.15	0.13	0.45	0.33	-0.13	-0.23	0.47	0.10	0.59	0.38	0.58	0.33	-0.24	0.67	0.73	0.59	1.00

Source: Researcher's own computation from primary data sources

Table 4.7 shows the correlation matrix of 24 items used in this study. It is observed that in 22 out of 24 items correlated with at least one other item with a correlation of more than 0.3 suggesting reasonable factorability.

KMO (Kaiser-Meyer-Olkin) and Bartlett's Test results

Table 4.8 showing KMO and Bartlett's Test results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.559
Bartlett's Test of Sphericity	Approx. Chi-Square	1072.689
	Df	276
	Sig.	.000

Source: Researcher's own computation from primary data sources

Table 4.7 shows the KMO (Kaiser-Meyer-Olkin) and Bartlett test results. The Bartlett's test of sphericity is significant in this case with p = 0.000 ($p<0.05$) and factor analysis is considered appropriate. Further KMO index is at .559, though not 0.6, it is approaching 0.6 (at 0.559) therefore minimum value for good factor analysis is achieved. As the data of this study passes both Correlation and KMO and Barlett tests, Factor analysis can be proceeded with.

4.4.2 Determining the Method of Factor Analysis

The two basic approaches are principal components analysis and common factor analysis. In principal components analysis, the total variance in the data is considered. Principal components analysis is recommended when the primary concern is to determine the minimum number of factors that will account for maximum variance in the data for use in subsequent multivariate analysis. The factors are called principal components.(Malhotra& Birks(2007). Therefore in this study Principal Component method of factor analysis is used.

4.4.3 Results of Principal Component Analysis

The results of principal component matrix are explained in terms of communalities, , total variance explained and Rotated component matrix.

4.4.3.1 Communalities

Communality: Communality is the amount of variance a variable shares with all the other variables being considered. This is also the proportion of variance explained by then common factors. (Naresh and Birks (2007). As per table 4.9 showing communalities, it can be seen that

initial values are 1.00 with all extraction values exceeding 0.3 confirming that each item shared some common variance with other items.

Table4.9 Showing Communalities

	Communalities		
Item No.	Item Description	Initial	Extraction
Q1	Fluctuations in supply of labor force in general	1.000	.858
Q2	High Interest rate charged by Financial Institutions.	1.000	.776
Q3	Complicated and Time consuming loan processing procedures	1.000	.758
Q4	Official delays in acquiring new technology	1.000	.920
Q5	Lack of finance for acquiring new technology	1.000	.852
Q6	Lack of skill in handling new technology	1.000	.871
Q7	Inexperience of existing staff in dealing with machine failures	1.000	.798
Q8	Shortage of technically educated managerial personal	1.000	.779
Q9	Lack of expertise of managers	1.000	.874
Q10	In adequate supply of locally produced raw materials.	1.000	.728
Q11	Lack of quality in locally produced raw materials.	1.000	.767
Q12	High cost of locally produced raw material	1.000	.842
Q13	High dependency on imported raw materials.	1.000	.864
Q14	Marketing Personnel lack experience	1.000	.794
Q15	No frequent communication with suppliers and customer,	1.000	.887
Q16	Rare foreign visit and participation in trade fair and promotion activities to reach and maintain market	1.000	.874
Q17	No supporting institutions and associations that represent the sector.	1.000	.965
Q18	No alliance among firms to support each other	1.000	.939

Q19	Lack of supportive coordination between institution and associations	1.000	.827
Q20	Severe shortage of adequate electricity, water and communication network for business operation	1.000	.879
Q21	High Transportation charges	1.000	.856
Q22	Delays in port handling and custom processes	1.000	.862
Q23	Inefficient Port handling and customs processes for raw material import and export of export product	1.000	.783
Q24	High Port handling charges	1.000	.910

Source: Extraction Method: Principal Component Analysis.(Researchers Computation from SPSS output)

4.4.3.2 Total Variance Explained

The total variance explained matrix is provided under table 4.10. The number of factors to be considered is based on Eigen values. Eigen values greater than 1.0 are retained; the other factors are not included in the model. An eigen value represents the amount of variance associated with the factor. Hence, only factors with a variance greater than 1.0 are included. Factors with a variance less than 1.0 are no better than a single variable because, due to standardization, each variable has a variance of 1.0.

Determination of factors may also be based on percentage of variance. In this approach, the number of factors extracted is determined so that the cumulative percentage of variance extracted by the factors reaches a satisfactory level. . It is recommended that the factors extracted should account for at least 80% of the variance.

Considering both the approaches it is found that 8 components can be extracted where the Eigen values are exceeding 1 and at the same time 84.4% of variance explained.

Table 4.10 showing total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cum %	Total	% of Variance	Cum %	Total	% of Variance	Cum %
1	7.142	29.760	29.760	7.142	29.760	29.760	3.658	15.241	15.241
2	3.330	13.873	43.633	3.330	13.873	43.633	2.860	11.917	27.158
3	2.105	8.770	52.402	2.105	8.770	52.402	2.812	11.717	38.875
4	1.974	8.224	60.626	1.974	8.224	60.626	2.695	11.229	50.104
5	1.870	7.793	68.419	1.870	7.793	68.419	2.482	10.340	60.444
6	1.423	5.931	74.350	1.423	5.931	74.350	2.266	9.442	69.886
7	1.347	5.614	79.964	1.347	5.614	79.964	1.948	8.118	78.003
8	1.071	4.463	84.428	1.071	4.463	84.428	1.542	6.424	84.428
9	.720	3.001	87.429						
10	.617	2.569	89.998						
11	.462	1.924	91.922						
12	.423	1.763	93.685						
13	.332	1.385	95.070						
14	.292	1.218	96.288						
15	.225	.939	97.228						
16	.167	.695	97.923						
17	.154	.642	98.564						
18	.112	.467	99.032						
19	.074	.309	99.341						
20	.053	.221	99.562						
21	.040	.167	99.729						
22	.035	.147	99.876						
23	.017	.069	99.946						
24	.013	.054	100.000						

Extraction Method: Principal Component Analysis.(Researchers computation from SPSS output)

Further identified component 1 explains 29.76% of variance, Component 2 explains 13.87% of variance, component 3 explains 8.77% of variance, Component 4 explains 8.22% of variance, Component 5 explains 7.79 %, and Component 6 explains 5.9% while Components 7 and 8 explain about 4.46 and 3.00 % respectively. Thus a total cumulative 84.4 % of the variance is explained by these 8 components or factors.

4.4.3.3 Rotated Component Matrix

Although the initial or unrotated factor matrix indicates the relationship between the factors and individual variables, it seldom results in factors that can be interpreted, because the factors are correlated with many variables. Through rotation, the factor matrix is transformed into a simpler one that is easier to interpret. Table 4.11 shows the Rotated component matrix using Varimax rotation matrix.

Table 4.11 Showing Rotated Component matrix

Item/ Question	Component/Factor							
	1	2	3	4	5	6	7	8
Q4	**.954**							
Q5	**.912**							
Q6	**.795**				.358			
Q7	**.606**	.314		-.322	.349			
Q17.		**.951**						
Q18.		**.785**		.490				
Q16		**.737**			.378			
Q12.			**-.896**					
Q13.			**-.808**		-.311			
Q10			**.730**					
Q14.			**.685**	.360			.308	
Q19.				**.867**				
Q22		.474		**.742**				
Q24		.438		**.625**				.448
Q15					**.849**			

Q23				.327	**.726**			
Q21				.458	**.682**			
Q1						**.871**		
Q8	.435					**.721**		
Q9	.416					**.718**		
Q2							**-.819**	
Q3							**-.789**	
Q11.	.445					.436	**.471**	
Q20								**-.885**

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

(Researchers computation from SPSS output)

Component 1 upto 8 are identified from table 4.11, A closer look at table 4.11 reveals the following factors (Table 4.12 showing identified factors)

Table 4.12 showing Factors identified with corresponding questions

Factors/ Component	**Questions included in Factors/ Components**
1	Q4,Q5,Q6,Q7
2	Q16,Q17,Q18
3	Q12, Q13,. Q10, Q14
4	Q19, Q22, Q24
5	Q15, Q23, Q21
6	Q1, Q8, Q9
7	Q2, Q3, Q11
8	Q20

Source: Researcher's own computation from SPSS output

Therefore Factor 1 has high coefficients for Q4,Q5,Q6,Q7, Factor 2 has high coefficients for Q16,Q17,Q18, while Factor 3 has for Q12, Q13,. Q10, Q14, Factor 4 for Q19, Q22, Q24, Factor 5 for Q15, Q23, Q21, Factor 6 for Q2, Q3, Q11 and Factor 8 for Q20.

A closer observation reveals that Factor 1 up to Factor 7 explain about 80% of the total variance and therefore, Factor 8 may be ignored at this point as only one item is included in this factor.

Table 4.13 Showing Latent Factor Description

Factor	Questions Grouped
Factor 1	Official delays in acquiring new technology (Q4) Lack of finance for acquiring new technology(Q5) Lack of skill in handling new technology(Q6) Inexperience of existing staff in dealing with machine failures(Q7)
Factor 2	Rare foreign visit and participation in trade fair and promotion activities to reach and maintain market (Q16) No supporting institutions and associations that represent the sector(Q17) No alliance among firms to support each other (Q18)
Factor 3	High cost of locally produced raw material (Q12) High dependency on imported raw materials (13) In adequate supply of locally produced raw materials (10) Marketing Personnel lack experience (14)
Factor 4	Lack of supportive coordination between institution and associations (Q19) Delays in port handling and custom processes (Q22) High Port handling charges (24)
Factor 5	No frequent communication with suppliers and customer (Q15) Inefficient Port handling and customs processes for raw material import and export of export product (Q 23) Delays in port handling and custom processes (Q21)
Factor 6	Fluctuations in supply of labor force in general (Q1) Shortage of technically educated managerial personal (Q8) Lack of expertise of managers (Q9)
Factor 7	High Interest rate charged by Financial Institutions (Q2) Complicated and Time consuming loan processing procedures(Q3) Lack of quality in locally produced raw materials.(Q11)

Source: Researcher's own computation from SPSS output

4.5 Cronbach’s Alpha for Identified Latent Factors

As discussed earlier Cronbach's alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability (**Cronbach, 1970**). A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs.

Cronbach’s alpha is calculated for each factor as follows

4.5.1Cronbach’s alpha for latent factor 1

Table 4.14 showing Cronbach’s alpha for latent factor 1

Cronbach's Alpha	N of Items	Questions included
.884	4	Q4,Q5,Q6,Q7

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach’s alpha was 0.884 which is a good indication of constructs reliability

4.5.2Cronbach’s alpha for latent factor 2

Table 4.15 showing Cronbach’s alpha for latent factor 2

Cronbach's Alpha	N of Items	Questions included
.821	3	Q16,Q17,Q18

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach’s alpha was 0.821 which is a good indication of constructs reliability.

4.5.3Cronbach’s alpha for latent factor 3

Table 4.16 showing Cronbach’s alpha for latent factor 3

Cronbach's Alpha	N of Items	Questions included
.71	4	Q12, Q13, Q10, Q14

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach’s alpha was 0.71 which is a good indication of constructs reliability

4.5.4Cronbach’s alpha for latent factor 4

Table 4.17 showing Cronbach’s alpha for latent factor 4

Cronbach's Alpha	N of Items	Questions included
.765	3	Q19, Q22, Q24

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach’s alpha was 0.765 which is a good indication of constructs reliability

4.5.5Cronbach’s alpha for latent factor 5

Table 4.18 showing Cronbach’s alpha for latent factor 5

Cronbach's Alpha	N of Items	Questions included
.807	3	Q15, Q23, Q21

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach’s alpha was 0.807 which is a good indication of constructs reliability

4.5.6Cronbach's alpha for latent factor 6

Table 4.19 showing Cronbach's alpha for latent factor 6

Cronbach's Alpha	N of Items	Questions included
.77	3	Q1, Q8, Q9

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach's alpha was 0.77 which is a good indication of constructs reliability

4.5.7 Cronbach's alpha for latent factor 7

Table 4.20 showing Cronbach's alpha for latent factor 7

Cronbach's Alpha	N of Items	Questions included
.67	3	Q2, Q3, Q11

A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach's alpha was 0.67 which is approaching 0.7 therefore supports constructs reliability

4.6 Prospects available to Export oriented garment manufacturing companies

Earlier section so far presented contains analysis of data regarding problems facing export oriented garment manufacturing companies. The following sections contain analysis and discussion of prospects available to these companies. In order to identify problems an Exploratory factor analysis was conducted. However regarding prospects available to these garment manufacturing units simple descriptive analysis is conducted.

In this section data relating to 7 specific questions was collected regarding the various prospects available to export oriented garment factories. Data was collected on a Likert like

scale of 1 to 5(1 = strongly disagree; 2 = disagree; 3 – neither agree nor disagree; 4 = agree and 5 = strongly agree).

4.6.1 Reliability statistics (Cronbach's Alpha)

Further to test the reliability of scale used Cronbach's alpha was calculated. A commonly accepted rule for describing internal consistency using Cronbach's alpha of 0.7 is considered acceptable and anything more than 0.7 is considered a good indication of reliability of constructs. The calculated Cronbach's alpha was 0.701 which is a good indication of constructs reliability.

Table 4.21 showing Cronbach' alpha for questions relating to prospects available to export oriented garment companies

Cronbach's Alpha	N of Items
.701	7

Source: Researcher's own computation from primary data sources

4.6.2 Descriptive analysis of Prospects available to export oriented garment manufacturing companies

In order to facilitate essay descriptive analysis each question is summarized and presented. In addition to this a description of each question is also provided. In the following section a brief summary of descriptive statistics is provided. Mean, minimum score, maximum score and standard deviation of each question is calculated. This gives an initial understanding regarding 7 questions poised to the respondents.

Table 4.22 Showing descriptive statistics of prospects available to export oriented garment manufacturing companies

	N	Min	Max	Mean	SD
Strong government support for export	50	4	5	4.06	.240
Availability of duty free privileges for import of machinery and equipment	50	3	5	4.48	.614
Efficient and effective government administrative/ in addressing issues	50	2	5	3.62	.725
Sufficient accessibility of information on current government regulations	50	1	5	3.26	1.046
Tax holidays provided for exporting	50	3	5	4.26	.694
Reduced import tax on raw materials and accessories.	50	3	5	4.62	.567
Huge potential for export market	50	3	5	4.40	.606
Benefits from African Growth Opportunity Act (AGOA)	50	4	5	4.04	.198

Source: Researcher's own computation from primary data sources

Table 4.22 shows descriptive statistics of prospects available to export oriented garment manufacturing companies. It is observed that the highest mean score goes to 'reduced import tax on raw materials and accessories' making it the most attractive prospect of the industry. This is followed by 'Availability of duty free privileges for import of machinery and equipment'. Followed by 'Huge potential for export market(4.4.), Tax holidays provided for exporting (4.26), Strong government support (4.06), Benefits from AGOA(4.04), Efficient and effective government administrative/ in addressing issues(3.62), and Sufficient accessibility of information on current government regulations(3.26)

Further a short summary of secondary data is also provided in order to support primary data analysis.

4.7 Secondary Data Summary

Foreign currency earnings are obtained from Ethiopian Revenue and Customs Authority for the period 1997 to 2008(Ethiopian calendar). From table 4.23 it is observed that there is a tremendous increase in foreign currency earnings from 2002 to 2003. However foreign currency earnings remained almost same between 2006 and 2007 and slumped drastically in

year 2008 from 72,030 (value in '000 USD) to 56, 490 value in '000 USD) as displayed in Figure 4.1 below

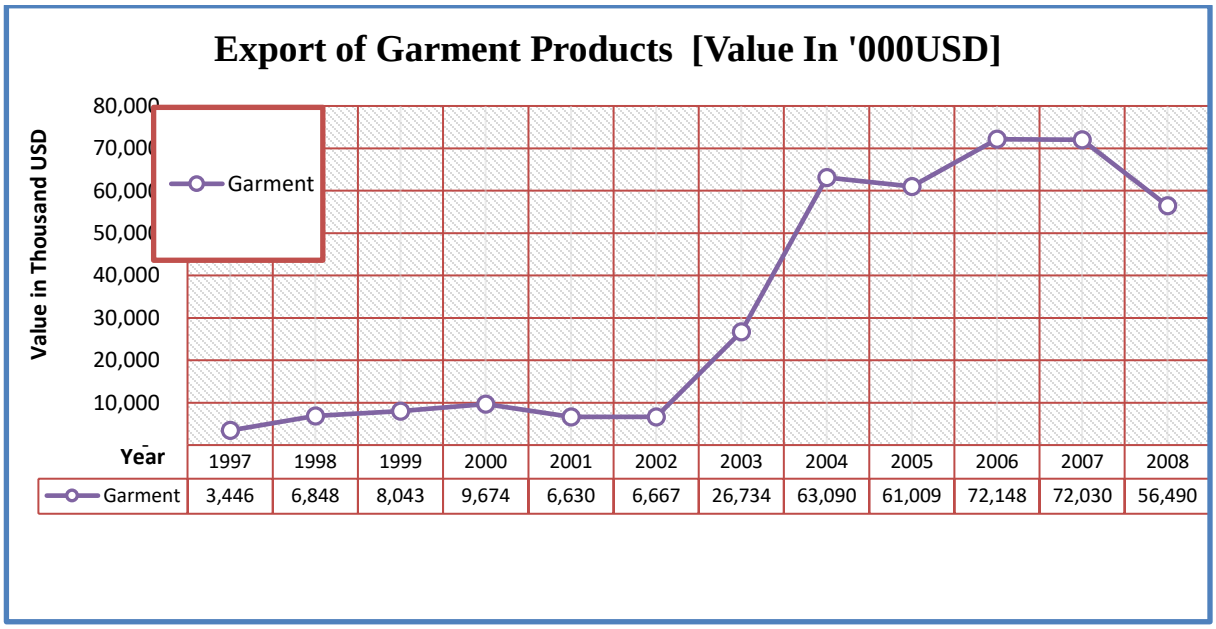
Table 4.23 Showing Foreign Currency Earning from Export of Garment Products

[Value In '000USD]

S/N	Product Type	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1	Garment	3,446	6,848	8,043	9,674	6,630	6,667	26,734	63,090	61,009	72,148	72,030	56,490

Source: secondary data (Ethiopian Revenue and Custom Authority reports 2009)

Figure 4.1 Showing Export of textile and garment products of Ethiopia



Source: secondary data (Ethiopian Revenue and Custom Authority reports 2009)

4.8 FINDINGS

Table 5.1 Shows the result or findings

Factor	Questions Grouped
Factor 1	Official delays in acquiring new technology (Q4) Lack of finance for acquiring new technology(Q5) Lack of skill in handling new technology(Q6) Inexperience of existing staff in dealing with machine failures(Q7)
Factor 2	Rare foreign visit and participation in trade fair and promotion activities to reach and maintain market (Q16) No supporting institutions and associations that represent the sector(Q17) No alliance among firms to support each other (Q18)
Factor 3	High cost of locally produced raw material (Q12) High dependency on imported raw materials (13) In adequate supply of locally produced raw materials (10) Marketing Personnel lack experience (14)
Factor 4	Lack of supportive coordination between institution and associations (Q19) Delays in port handling and custom processes (Q22) High Port handling charges (24)
Factor 5	No frequent communication with suppliers and customer (Q15) Inefficient Port handling and customs processes for raw material import and export of export product (Q 23) Delays in port handling and custom processes (Q21)
Factor 6	Fluctuations in supply of labor force in general (Q1) Shortage of technically educated managerial personal (Q8) Lack of expertise of managers (Q9)
Factor 7	High Interest rate charged by Financial Institutions (Q2) Complicated and Time consuming loan processing procedures(Q3) Lack of quality in locally produced raw materials.(Q11)

4.9 Technological Challenges as Factor

The other factor of export performance with four issues is the IT or Technological factors, which are, Official delays in acquiring new technology, Lack of finance for acquiring new technology, Lack of skill in handling new technology and Inexperience of existing staff in dealing with machine failures

4.9.1 Institution and Industry Relation Challenges as Factor

On top of considering firm level strategies an executive networking system or business alliance supports business operations in order to decrease production costs, enhance productivity and create continuous innovation (Watchravesringkan et. al, 2010). Rare foreign visit and participation in trade fair and promotion activities to reach and maintain market , No supporting institutions and associations that represent the sector, No alliance among firms to support each other .

4.9.2 Raw Material Challenges as Factor

All the above findings show the criticality of raw material as a factor of export performance in the garment sector promoters. High cost of locally produced raw material, High dependency on imported raw materials, In adequate supply of locally produced raw materials Marketing Personnel lack experience.

4.9.3 Management Capability Challenges

Fluctuations in supply of labor force in general, Shortage of technically educated managerial personal Lack of expertise of managers.

4.9.4 Infrastructure as a Factor

In the present competitive liberalized business environment, a domestic enterprise needs world class and cost-effective infrastructure. Better roads, better connectivity, modern airports and railways, efficient ports and affordable and reliable power are all the basic requirements for a competitive economy.

In addition, 100 percent of the respondents disagree both to the fact that there is sufficient transport to/and from port and the availability of efficient port handling and customs processes for raw material import and export of export product making the infrastructure critical factor to export performance. This also highlighted as one of the respondent has stressed the issue with the current shortage of electric power which made it very difficult for his firm to operate as planned.

4.9.5 Labor as Factor

In a study done on Pakistan garment firms which uncovered two vital categories of workers affecting their performance growth: stichers and middle management; i.e. supervisors, technicians and engineers in the area of production, quality control (Nebil and Hamd, 2013). As mentioned in the literature part, (Pfaffermayr, 1996) justifies the positive impact of labor force on export.

As shown in the table above regarding labor factor there are four items under consideration. From these factors the adequate supply of skilled labor force in the market for the sector is depicted by almost all as a critical factor.

4.9.6 Financial Challenges

In the four sections under finance as a factor of export performance in the garment sector, all most all firms agree to the criticality of the fact that there is difficultly in timely obtaining working capital, stringent collateral requirement, and complicated and time consuming loan processing procedures by financial institutions.

4.9.7 Marketing Challenges

Regarding marketing, most firms have a choice between developing own marketing strategy by acquiring adequate marketing personnel or are likely to use a number of intermediaries to reduce their cost and risk to sell their products in the external market. Through export intermediaries, the exporting firms can gain access to international markets without having to incur the costs associated with measures such as searching for new markets, establishing in-house marketing channels for external markets, developing knowledge base of foreign market, costs associated with developing trust and credibility with customers in external markets, negotiating and monitoring contracts to ensure performance.

CHAPTER 5

5. CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter covers the conclusion and recommendation that is employed for this study. The conclusion parts mainly, summarize the findings in Chapter four and the recommendations are the feasible suggestion to those identified problems.

5.1 Conclusions

In the preceding chapters, the study tries to analyze Challenges and Prospects of garment exporting industries found in Oromiya region. Based on these analyses, the garment sector could benefit from human resource through the comparative advantage that the country possesses high population or working force and low labour cost, over its competitors.

Garment sub-sector is a highly time sensitive industry, usually with strict time limit for its products. In addition, since fabrics as well as accessories of Ethiopia's garment sub- sector have to be imported. Every single deal has to undergo both procedures of import and export. Under these circumstances the government efficiency is critical. There are two basic ways to improve the efficiency. The first is to improve the service awareness and professional abilities of government personnel. The second is to introduce advanced executive management methods such as the online certification and other modern ways. During the past two decades of development, China has taken a lot of initiatives to improve government efficiency and its personnel's service awareness, including the promulgation of the Executive Litigation
Law, the establishment of the public servant complaining system and the service commitment system for key public servicing agencies. Some areas in China have adopted the 24 hour on line custom application system.
Administrative offices of various development zones have pledged for offering more effective service. These policies and measures have brought more conveniences for the investors, improved business efficiency and promoted the development of the economy. Ethiopian Government can think of introducing such system for the rapid development of garment sub-sector.

It is impossible to develop an industry without modern infrastructure. In order to improve the competitiveness of the garment sub-sector, it is imminent to increase infrastructure.

Due to power shortages, unexpected power interruptions have become the biggest problems for the garment sub-sector, it is an essential requirement for the development of the garment sub-sector to ensure the power supply capability. In view of the low power generation capacity, it is necessary to establish an EPZ and to ensure it prioritized power supply.

It is necessary to increase telecommunications capacity. It is necessary to develop network and mobile communications. Information development has become a trend for economic and social development in today's world as quick means to communicate with the outside world.

In addition, it is also essential to invest into the construction of roads and railways.

In view of the poor status of human resources in Ethiopia's garment subsector, it is necessary to improve human resource quality at least in three tiers, so as to be able to acquire sufficient qualified human resource.

The first tier is through vocational training. The second tier is through the establishment of professional technical team. The third tier is through the establishment of professional manager and marketing teams.

Steps are initiated to improve the first and second tiers with proper measures. However, the third tier i.e. professional manager and marketing teams are yet to be improved.

Ethiopia has abundant human resources, which is, nevertheless of low quality and seriously short of skilled professionals. It is therefore, necessary to establish a number of garment human resource training centers and garment resource and design centers to produce a large number of garment business management professionals, technicians, garment designers and technologists

as soon as possible. China has cultivated professionals at different levels to address the need of the garment sub-sector since the beginning of its reform.

Currently, there are more than 40 universities and colleges, which provide subjects like garment design, garment engineering, garment trade and garment machines specifically to train high-level professionals for the garment subsector.

In addition, there are over 1000 secondary garment technical schools for the training of medium/low level professionals.

The establishment of foreign invested and joint venture Companies will bring in advanced technologies, respectful work ethics and modern perception, which will in turn become a juncture for integrating the country with the world. It is important to summarize effectively and disseminate the successful experience of these companies.

However, the survey affirmed that the garment industry was found in short of professionals and skilled labourers which could enable the sector to compete in a sustainable manner in the various market segments. Concerning the capital resource, the survey confirmed that the financial market was not in a position to solve the problem with supply of capital (investment or working capital), which could enable the firms to operate in their full capacity and to quickly respond to product market demand.

The main reasons were the ill functioning and unclear working procedures of the financial market, lack of transparency and lack of international banking system knowledge and experience (affects export and import business) of banking institutes. Financial incentives are also biased mainly to garment exporting firms due to the export oriented strategy of the government. This limits the growth potential of local garment producers, since they cannot manufacture the needed produce in quantity and quality. If incentives are given to them they may build their capacity through learning and experience and become successful exporters through time.

The other factor is the infrastructure, according to the surveyed firms significant changes have taken place in the “hard’ tangible infrastructure which comprises of power supply, telecommunication, roads from factory to port, etc, in the past few years and this enhances the competitiveness of the firm and industry to a certain level. However, there are no or very little advancements in the “soft” intangible infrastructure such as business environment, trade associations, R&D institutions, and training institutions.

There are no mechanisms in place to increase the competitiveness of garment firms and industry through channeling information, facilitating and improving access to market, technology, product innovation or skills. Cost of inland transport, problems with packaging and port facility are also confirmed in the survey analysis as crucial problems for achieving competitiveness of garment firms and industry.

With regards to related and support industries, the survey confirmed that garment firms and the industry as a whole seriously faced problems on the availability, quality and cost of inputs. Absence of locally produced inputs at the required quantity, quality and reasonable price forces the firms to depend on foreign inputs. These problems limit the firms from being cost competitive in view of their foreign competitors.

In addition to the limitation on their cost competitiveness, the firms also face obstacles in terms of delivering products on time at the required style, color, size and fabric. The value added of the sector also becomes intangible because of the absences of coordinating specific activities in the value chain.

5.2 Recommendation

Suggestion is a part under which possible resolutions are provided for the major factors identified or investigated by the study. Based on the findings of the study, the following suggestions are forwarded.

Export processing zones (EPZs) emerging all over the world

EPZ is a special economic zone specifically established for the purpose of promoting the development of processing trade. Over the past 30 years, EPZs have been emerging all over the world. EPZs are becoming the industrial areas with the largest amount of foreign investment and the most active foreign trade business in their respective countries and regions. These EPZs have

greatly promoted the economic development of various countries and regions. The establishment of EPZs in Africa started in the 1980's. The development of these EPZ should be attributed to the following advantages for the investors:

1. Tariffs are exempted in addition income taxes are exempted for a considerably long time for example, 5 years in Libya and 10 to 20 year in Egypt. Profits earned may be transacted abroad freely.
2. It is only necessary to deal with the single institute of the EPZ administration office, instead of with numerous government institutions, free from being hampered by bureaucracies in local countries. Therefore, business operation is of high efficiency.
3. Construction sites, power supply, water supply, communications and transportation infrastructures are provided on preferential basis.
4. Political risks such as nationalization could be kept away from the EPZs.
5. Local governments, benefiting from the management of the EPZs have had more job opportunities and developed local resources. They have also learned advanced production management techniques ensuring the political stabilities. For a country with a long history of domestic market oriented economy like Ethiopia, it is absolutely necessary to develop its export and establish EPZs.

Laying solid foundation to attract investors

Ethiopia's capital Addis Ababa is the political, economical and cultural center of the country. It is also the area with the most developed infrastructures. Addis Ababa has the largest airport

in Ethiopia or even in the whole Africa. In addition, it is connected with the port Of Djibouti with good quality road and a railway, thus possessing the basic conditions for the establishment of an

EPZ. Currently, there are 18 textile enterprises and many garment factories in Addis Ababa, which is the highest density of textile and garment sub-sector in Ethiopia. With proper planning it is possible to establish an industrial base at Addis Ababa and produce industrial cluster effect to drive the development of the garment industries across the county.

An important part of this is to increase investment into the planned EPZ with improved transportation, water, power, gas and communications facilities. On top of these, it is necessary to issue preferential policies and provide comprehensive services to attract large and powerful companies both in the country and abroad, so as to expand the size of the garment sub-sector,

increase export, make profits and paving the way for further accomplishment of industrial clusters.

In order to secure raw material which is the most critical factor, supply from domestic sources must be strengthened by either forming alliance with local farmers to get adequate supply with required quality or even consider backward integration which is engaging in cotton production or working closely with those industries in the primary stage i.e. textile sector.

Capital is the second most severe critical factor since firms in the sector faced difficulty in obtaining working capital. This is explained by the requirement of high interest rate and huge collateral along with the lengthy process of financial institutions which made it difficult to garment industries to perform well in export.

Collaboration with local as well as foreign institution for the transfer of knowledge in the areas required in developing skilled labor force through short courses, trainings and exposure visits.

The operators of the garment industry must exert effort to share knowledge and experience of best practices among the industry actors through their private sector national association and make use of pooled negotiating power for borrowing purposes, purchase raw materials and setting up an information hub in order to facilitate communication to foster the alliance and support among firms in the sector.

Regarding external factor which is infrastructure, the Government needs to support the garment industry by Setting up special windows in major service providing institutions such as Banks to facilitate operations, provision of working capital and advance against export and in transport and logistics areas with responsibility to organizations concerned to provide efficient service for the sector.

Finally, the student researcher recommends conducting a related study in the future with the application of robust econometric model to provide in-depth sector specific recommendations for policy measures.

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ANNEXURE

ADDIS ABABA SCIENCE AND TECHNOLGY UNIVERSITY
COLLEGE OF NATURAL AND SOCIAL SCIENCE
MBA PROGRAM
QUESTIONNAIRE FOR OFFICIAL/EXPERTs/ OF THE INDUSTRY

Dear respondent, I am a graduate student in the department of Business and management, Addis Ababa Science and Technology University. Currently, I am undertaking a research entitled 'Prospects and Problems of Garment Exporting Industries In Oromia Region; You are one of the respondents in the industry selected to participate on this study. Please, assist me in giving the correct and complete information to present a representative finding on the current status of the impeding factors affecting the performance of garment exporting industry in Oromia Region. Finally, I confirm you that the information you share me will be kept confidential and only be used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone.

Thank you in advance for your kind cooperation by allocating sufficient time.

Date: Paulos Tesfaye
Place

Section 1: The objective of this section is to understand the demographic characteristics of the respondents.
Please put tick mark (√) on your choice of answer

1. Gender: Male ☐ Female ☐
2. Age (in years) Below 25☐ 26 - 35 ☐ 36 - 45☐ 46 and above☐
3. Educational qualification:

   No formal education☐ Below grade 12☐ Diploma☐

   Degree☐ Masters and above☐
4. Marital status: Single ☐ Married ☐
5. For how long have you been working in this Industry?

   Less than 6 months ☐ 1-5 years ☐ 6-15 years☐

   16-25 year's ☐ above 25 years☐

Section 2: The following questions are in the likert' s scale 1 up to 5 corresponding to 1 – strongly disagree; 2- Disagree to some extent ; 3- Neutral, neither agree nor disagree; 4- Agree to some extent; 5- Strongly agree. Please answer each of the following questions by placing a tick mark (√) in the 1 – 5 scale

	Variables	(1) Strongly disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly agree
Problems in garment exporting						
Q1	Fluctuations in supply of labor force in general					
Q2	High Interest rate charged by Financial Institutions.					
Q3	Complicated and Time consuming loan processing procedures					
Q4	Official delays in acquiring new technology					
Q5	Lack of finance for acquiring new technology					
Q6	Lack of skill in handling new technology					
Q7	Inexperience of existing staff in dealing with machine failures					
Q8	Shortage of technically educated managerial personal					
Q9	Lack of expertise of managers					
Q10	In adequate supply of locally produced raw materials.					
Q11	Lack of quality in locally produced raw materials.					
Q12	High cost of locally produced raw material					
Q13	High dependency on imported raw					

	materials.					
Q14	Marketing Personnel lack experience					
Q15	No frequent communication with suppliers and customer,					
Q16	Rare foreign visit and participation in trade fair and promotion activities to reach and maintain market					
Q17	No supporting institutions and associations that represent the sector.					
Q18	No alliance among firms to support each other					
Q19	Lack of supportive coordination between institution and associations					
Q20	Severe shortage of adequate electricity, water and communication network for business operation					
Q21	High Transportation charges					
Q22	Delays in port handling and custom processes					
Q23	Inefficient Port handling and customs processes for raw material import and export of export product					
Q24	High Port handling charges					
Prospects in garment exporting						
Q25	Strong government support for export					
Q26	Availability of duty free privileges for import of machinery and equipment					
Q27	Efficient and effective government administrative/ in addressing issues					
Q28	Sufficient accessibility of information on current government regulations					
Q29	Tax holidays provided for exporting					
Q30	Reduced import tax on raw materials and accessories.					
Q31	Huge potential for export market					

Thank you for your patience

Appendixes

Source, ETIDI, Website

Source, ETIDI Website

Source, ETIDI Website

Novastar Garment Factory PLC

GG Super Garment PLC

Source, ETIDI, Website

Company/Factory Name	International Standard Industrial Classification (ISIC) Revision 4	Year Of Establishment(In E.F.Y)	Ownership Citizen	Ownership Type	Type of Company/Factory	Company Manager/Owner	Region	Zone	City
Haibo Manufacturing PLC	1410(019)		China	Private	Garment		Oromiya	Oromiya Liyu Zone	Eastern Industry Zone (Dukem)
HQ and ZA Manafactring PLC	1410(020)		China	Private	Garment		Oromiya	Oromiya Liyu Zone	Eastern Industry Zone (Dukem)
Lin De Ethiopia (JKL) Garment P.L.C	1410(022)	2006	China	Private	Garment	Mr.Jerry	Oromiya	Oromiya Liyu Zone	Eastern Industry Zone (Dukem)
Ting Ting Garment P.L.C	1410(025)	2007	China	share	Garment	Zhong Tingzhen	Oromiya	Oromiya Liyu Zone	Eastern Industry Zone (Dukem)
Ferke Factory P.L.C.	1410(036)	2002	Ethiopian	Private	Garment	Mr.Numary Welechafo(GM)	Addis Ababa	Kolfekeranio	Kolfe
Abem(Birhanu Sahile) Garment P.L.C.	1410(042)	2001	Ethiopian	Private	Garment	Mr.Kinfe Sahilu Mr.Degu Getahun	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Addis Garment S.C.(Augusta)	1410(043)	1965	Italy	Share	Garment	Ms.Juliyana Zakota Mr. Erkie Mitiku	Addis Ababa	Lideta	Addis Ababa
Akaki Garment S.C.	1410(044)	1971	Ethiopian	Share	Garment	Mr Getachewu Biratu Mr.Biruk Getachew	Addis Ababa	Akaki Kality	Akaki
Ambassador Garment and Trading P.L.C.	1410(045)	1974	Ethiopian	Private	Garment	Mr.Seid Mohammed Mr.Gizatie Worku	Addis Ababa	Bole	Addis Ababa
Asbem Industries P.L.C.	1410(046)	1998	Ethiopian	Private	Garment	Mr.Abiyu Gidey Mr.Melku Tegegn	Oromiya	Oromiya Liyu Zone	Sendafa
BM Ethiopia Garment and Textile S.C.	1410(047)	2003	Korea	Share	Garment	Mr.Eliyas Mashesha	Addis Ababa	Nifas Silk Lafto	Addis Industry Village
Concept International Ethiopia P.L.C.	1410(048)	2000	Ethiopian	Private	Garment	Ms.Lili Biratu Mr.Henus Haile	Addis Ababa	Nifas Silk Lafto	Addis Industry Village
EMD Garment P.L.C.	1410(049)	1996	Ethiopian	Private	Garment	Mr.Eliyas Mulugeta Mr.Meaza Mamo	Addis Ababa	Lideta	Addis Ababa
Feleke Garment P.L.C.	1410(050)	1998	Ethiopian	Private	Garment	Mr.Mehtsentu Feleke Mr.Nebiyu Zebeamen	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Haya Garment Manufacturing P.L.C.	1410(051)	2002	Ethiopian	Private	Garment	Mr. Zelalem	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Garment Evolution P.L.C.	1410(052)	1998	Ethiopian	Private	Garment	Mr.Yonas Workine	Addis Ababa	Bole	Addis Ababa
GG Super Garment P.L.C.	1410(053)	1997	Ethiopian	Private	Garment	Mr.Getachew Biratu Mr.Biruk Getachew	Oromiya	Oromiya Liyu Zone	Debrezeit
GMM Garment P.L.C.	1410(054)	1998	Ethiopian	Private	Garment	Mr.Zewolde T/abe	Addis Ababa	Nifas Silk Lafto	Lebu Industry Village
Gullele Garment P.L.C.	1410(055)	1982 .	Ethiopian	Private	Garment	Mr.Birhanu Lake	Addis Ababa	Gullele	Addis Ababa
Haile Garment P.L.C.(HG)	1410(056)	1996	Ethiopian	Private	Garment	Mr.Haile G/Egziabher Ms.Firewoiney Kifile	Addis Ababa	Nifas Silk Lafto	Lebu Industry Village
Knit To Finish P.L.C.(Garment Express)	1410(057)	1998	Ethiopian	Private	Garment	Dr.Worku Zewude Ms. Zinash Zewudu	Oromiya	Oromiya Liyu Zone	Gelan
Lucy Garment Industry P.L.C.	1410(058)	2003	Ethiopian	Private	Garment	Mr. Mikiyas Hailu Mr.Tamirat W/Gebriel	Addis Ababa	Nifas Silk Lafto	Addis Industry Village

Mantel Garment P.L.C.	1410(059)	1999	Ethiopian	Private	Garment	Mr.Alehegn Assefa Ms.Frehiwot Abebe	Addis Ababa	Akaki Kality	Addis Ababa
Mitch Garment P.L.C.	1410(060)	2002	Ethiopian	Private	Garment	Mr.Keven Alovor	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Nazareth Garment S.C.	1410(061)	1984	Ethiopian	Private	Garment	Mr. Darge Getahun	Oromiya	East Shoa	Adama
NovaStar Garment Factory P.L.C.	1410(062)	1998	Ethiopian	Private	Garment	Mr.Birhanu Sisay	Oromiya	Oromiya Liyu Zone	Gelan
Oasis Abissiniya P.L.C.	1410(063)	1999	Ethiopian	Private	Garment	Mr.Yilikal Bisenebet	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Progress Garment Factory P.L.C.	1410(064)	1991	Ethiopian	Private	Garment	Mr.Abdulwahid Mohammed	Addis Ababa	Bole	Addis Ababa
Soney Garment Textile and General Trading P.L.C.	1410(065)	1989	Ethiopian	Private	Garment	Mr.Endalikachewu Taye Mr.Solomon Endale	Addis Ababa	Lideta	Addis Ababa
Vitcon Garment P.L.C.	1410(067)	1997	Ethiopian	Private	Garment	Mr.Goshu Negash	Addis Ababa	Bole	Addis Ababa
Wossi Garment Design Factory P.L.C.	1410(068)	1999	Ethiopian	Private	Garment	Mr.Wossen Hailu	Addis Ababa	Nifas Silk Lafto	Addis Industry Village
Wow Garment P.L.C.	1410(069)	1997	Ethiopian	Private	Garment	Mr.Abduraman Aman	Oromiya	Oromiya Liyu Zone	Gelan
Yabetse Garment P.L.C.	1410(070)	1997	Ethiopian	Private	Garment	Mr.Adane Eketa	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Yonis Garment P.L.C.	1410(071)	1996	Ethiopian	Private	Garment	Mr.Solomon Debebe	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Village Industry P.L.C.	1410(072)	2001	Italy	Private	Garment	Mr.Kamilono Kelami Mr.Tewodros Shumiye	Addis Ababa	Nifas Silk Lafto	Addis Industry Village
BigM Garment and Apparel P.L.C.	1410(073)	2004	Ethiopian	Private	Garment	Mr.Eliyas	Addis Ababa	Akaki Kality	Addis Ababa
Desta Garment(Bekimar) Industries P.L.C.	1410(074)	2001	Ethiopian	Private	Garment	Mr.Eyob Bekele	Addis Ababa	Bole	Addis Ababa
Diplomatic Garment PLC	1410(075)	1996	Ethiopian	Private	Garment	Mr.Kassaye Mohammed	Addis Ababa	Addis Ababa	Addis Ababa
Shints ETP Garment PLC	1410(076)	2006	Korea	Private	Garment		Addis Ababa	Bole	Bole Lemi Industry Zone
Jay Jay Textile PLC	1410(077)	2006	India	Private	Garment	Ato Demeke	Addis Ababa	Bole	Bole Lemi Industry Zone
New Wide Group	1410(078)	2006	Taiwan	Private	Garment	Mr.Heman Bodiya	Addis Ababa	Bole	Bole Lemi Industry Zone
Ashton Apparel (AtRaco)	1410(079)	2007	India	Private	Garment	Mr.Manan Kapasi	Addis Ababa	Bole	Bole Lemi Industry Zone
(Arevined Life Stayle) A.N.F Gulf Ethiopia P.L.C	1410(080)	2007	India	Private	Garment	Aquil Dhaduk(MD),Usman Dhaduk(Director), Usman Khawar(General Manager)	Addis Ababa	Bole	Bole Lemi Industry Zone
C and H Garment	1410(081)	2007	China	Private	Garment		Addis Ababa	Bole	Bole Lemi Industry Zone
KEI Garment P.L.C	1410(082)	2007	Korea	Private	Garment		Addis Ababa	Bole	Bole Lemi Industry Zone
(Vestes Garment) Karl International PLC	1410(083)	2006	India	Private	Garment	Mr.Kidane Woldegeogise	Addis Ababa	Bole	Bole Lemi Industry Zone
Steve Horn Enterprise I.N.C	1410(084)	2007	USA	Private	Garment		Addis Ababa	Nifas Silk Lafto	Mekanisa
ISIK Garment	1410(085)	2006	Turkey	Private	Garment		Oromiya	Oromiya Liyu Zone	Legetafo

Paradise Fasion	1410(087)	2006	Ethiopian	Private	Garment		Addis Ababa		
Toto Garment P.L.C	1410(088)	2000	Ethiopian	Private	Garment	Mr.Getenet Aregawi(A.GM) Mr.Aberham Tekelu	Oromiya	Oromiya Liyu Zone	sebeta
EDE Garment	1410(089)	2006	Ethiopian	Private	Garment	Mr.Eyasu Ermiyas Mr.Degu Demisse	Addis Ababa	Kolfekerani o	Ayertena China Camp
Hirdaramani Garment PLC	1410(090)	2007	Sri Lanka	Private	Garment		SNNPR	Hawassa	Hawassa Industrial Park
Berhanu Tsehay Garment	1410(091)	2004	Ethiopian	Private	Garment	Ato Berhanu Tsehay	Addis Ababa		Akaki Kality
Mercy textile factory	1410(122)		Ethiopian	Private	Garment	Ato Yared Fekade Samrawit Fantahun	Addis Ababa	Akaki Kality	Addis Ababa
Shewangizaw textile	1410(123)	1998	Ethiopian	Private	Garment	Ato Shewangizw Teshome	Addis Ababa	Gulele	Addis Ababa
Asmi industry P.L.C	1410(124)	2003	Ethiopian	Private	Garment		Oromiya	Oromiya Liyu Zone	Dukem
BMK socks Factory	1410(125)	2005	Ethiopian	Private	Garment	Mr. Biniam Kebede	Oromiya	Oromiya Liyu Zone	Burayu (Keta)
Karmel Garment P.L.C	1410(126)	2006	Ethiopian	Private	Garment	Ato Tigistu Shewarega Weyenishet Chana	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Sabati Zemachi International Trading P.L.C	1410(127)	2005	Ethiopian	Private	Garment	Ato Gatu Birehanu	Addis Ababa	Gullele	Shegola
Sunmul Garment P.L.C	1410(128)	2004	Ethiopian	Private	Garment		Addis Ababa	Nifas Silk Lafto	Addis Ababa
Rainbo Garment P.L.C	1410(129)	2006	Ethiopian	Private	Garment	Ato Solomon Haylu Yeregu	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Rebeka Fuje Garment P.L.C	1410(130)	2007	Ethiopian	Private	Garment	W/r Ribika Fuji Habeta	Addis Ababa	Kolfekerani o	Addis Ababa
Kazfu Tailor P.L.C	1410(131)	2007	Ethiopian	Private	Garment	Ato Kedir Nur Yusuf	Addis Ababa	Kolfekerani o	Addis Ababa
B.M.G P.L.C	1410(132)	2007	Ethiopian	Private	Garment	Ato Yared Tsegaye	Oromiya	Oromiya Liyu Zone	Alemgena
B.G. Garment P.L.C	1410(133)		Ethiopian	Private	Garment	Ato Berehan Gebremdeine Bisrate	Addis Ababa	Akaki Kality	Addis Ababa
T.M. and Z.B. Trading P.L.C	1410(134)	2006	Ethiopian	Private	Garment	W/r Zinasha Bedasa Gemechu	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Titem Textile P.L.C	1410(135)	2006	Ethiopian	Private	Garment	Dalfeta Nuri	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Netsanet Ali Bekeri Garment	1410(136)	2006	Ethiopian	Private	Garment	Netsanet Ali	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Newlook Garment Trading P.L.C	1410(137)	2004	Ethiopian	Private	Garment	Ato Kebebew Wolde	Addis Ababa	Addis Ketema	Addis Ababa
Esachi General Trading P.L.C	1410(138)		Ethiopian	Private	Garment	Bogale Seferga	Addis Ababa	Addis Ketema	Addis Ababa
Andualem Desalegn Garment P.L.C	1410(139)	2007	Ethiopian	Private	Garment	Ato Andualem Desalegna	Addis Ababa	Yeka	Addis Ababa
Admas Garment P.L.C	1410(140)	1997	Ethiopian	Private	Garment	Rahawa Hayla	Addis Ababa	Yeka	Addis Ababa
Zhong tingzten Garment	1410(141)	2005	China	Private	Garment	Ms. Zhong Shijo	Addis Ababa	Bole	Addis Ababa
Hua Xia Technology Plc	1410(142)	2005	China	Private	Garment	Shangjiexu	Addis Ababa	Gulele	Addis Ababa
Joan Garment Industries PLc	1410(143)	2003	Pakistan	Private	Garment	Mr. Munamed Hussain	Oromiya		
SYS Trading P.L.C	1410(144)	2005	Ethiopian	Private	Garment	Ato Abubeker Tsadik	Addis Ababa	Kolfe Keraniyo	Addis Ababa
Ephrem Tesfaye Textile and Garment P.L.C	1410(145)	2007	Ethiopian	Private	Garment	Ato Efrem Tesfaye	Addis Ababa	Addis Ketema	Addis Ababa

Endalech and Mulugeta P.L.C	1410(146)	2004	Ethiopian	Private	Garment	Endalech Garuma	Oromiya	Oromiya Liyu Zone	
Endashaw Mengestu Regassa Garment P.L.C	1410(147)	2005	Ethiopian	Private	Garment	Endashaw Mengestu	Oromiya	Alemgena	sebeta
Kemeye Garment P.L.C	1410(148)	2006	Ethiopian	Private	Garment	Ato Biniyam Seyefu Amare	Oromiya	Oromiya Liyu Zone	Burayu
KAB Garment P.L.C	1410(149)	2007	Ethiopian	Private	Garment	Abdlber Kedir Bezani	Addis Ababa	Kolfe Keraniyo	Addis Ababa
Y.B.D.B. Trading P.L.C	1410(150)	2007	Ethiopian	share	Garment	Dawit Berge	Addis Ababa	Kolfe Keraniyo	Addis Ababa
Zekariyas Tadesse Garment P.L.C	1410(151)		Ethiopian	Private	Garment	Ato Zekariyas Tadesse	Oromiya	Oromiya Liyu Zone	Burayu
Yabanay Textile Factory P.L.C	1410(152)	2007	Ethiopian	Private	Garment	Ato Mekidesu Mohamed Nuradin	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Gashu Temesegen Importer P.L.C	1410(153)		Ethiopian	Private	Garment	MR. Gashu Temesegne Mogesse	Addis Ababa	Addis Ketema	Addis Ababa
Goye International Business P.L.C	1410(154)	2004	Ethiopian	Private	Garment	Fetun Antoniuyos	Addis Ababa	Arada	Addis Ababa
Felem Garment & Textile Factory	1410(155)	2007	Ethiopian	Private	Garment	Ato Fikadu Olijira	Oromiya	Oromiya Liyu Zone	Burayu
Fetudean Miftaha Textile & Garment P.L.C	1410(156)	2006	Ethiopian	Private	Garment	Ato Futudin Miftaha Shafa	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Be connected Industrial P.L.C	1410(157)		Belgium	Private	Garment		Oromiya	East Shoa	Dukem
Istanbul Textile (Hayrettin Toprak G.M) Plc	1410(158)	1997	Ethiopian	Private	Garment	Teka Baraky(DR)	Oromiya	East Shoa	Dukem
Adugna Kebelay General Trading P.L.C	1410(159)	2004	Ethiopian	Private	Garment		Oromiya	Oromiya Liyu Zone	Sebeta
Adler Textile PLC	1410(160)	2008	Turkey	Share	Garment	Irfan	Oromiya	Oromiya Liyu Zone	Legetafo
TGS Textile and Garment Share Company	1410(161)	2009	Ethiopian	share	Garment	Tiruha Zeleke	Addis Ababa	Nifas Silk Lafto	Addis Ababa
Velocity Garment PLC	1410(162)		India	Private	Garment		Tigray	Mekele	Mekele
Itaka Garment Plc	1410(163)		Italy		Garment		Tigray	Mekele	Mekele
Indochine Apparel Ltd	1410(163)	2009	China	Private	Garment		SNNPR	Hawassa	Hawassa Industrial Park
Ontex Hygienic Disposables PLC	1410(164)	2009		Private	Garment		SNNPR	Hawassa	Hawassa Industrial Park
Hua Xia Technology Plc		2009	China	Private	Garment				
YouLi socks Manufacturing Plc		2009	China	Private	Garment				
Yiwei Dai Manufacturing of Textile Except Apparel		2009	China	Private	Garment				
Lemma Muluneh Garment Factory		2009	Ethiopian	Private	Garment		Oromiya	East Shoa	Debrezeit
Tal Apparel Ltd.		2009	China /Hong kong	Private	Garment		SNNPR	Hawassa	Hawassa Industry Park
EPIC Apparel Plc		2009	China /Hong kong	Private	Garment		SNNPR	Hawassa	Hawassa Industry Park